

EUROPEAN NEWS

Ford to make components in Hungary for EC

By Kevin Done, Motor Industry Correspondent

FORD of the US, the world's second largest car maker, is to invest \$30m in an automotive components plant in Hungary, its first move to establish production in eastern Europe.

Ford said that the plant, which will produce automotive ignition coils and fuel pumps, would begin production in 1992. The components will be exported to Ford vehicle assembly plants in western Europe.

Ford has been far more cautious than several other western car makers, most notably Fiat, General Motors and Volkswagen, in its approach to investment in eastern Europe.

Both General Motors of the US and Suzuki of Japan have already agreed projects in Hungary. GM announced in January that it was to form a joint venture to build 200,000 engines and to assemble 30,000 cars a year in a \$150m investment with Raba, the Hungarian automotive engineering group.

Suzuki is the main shareholder in Autocorsen, a car assembly joint venture aimed at beginning production in 1992.

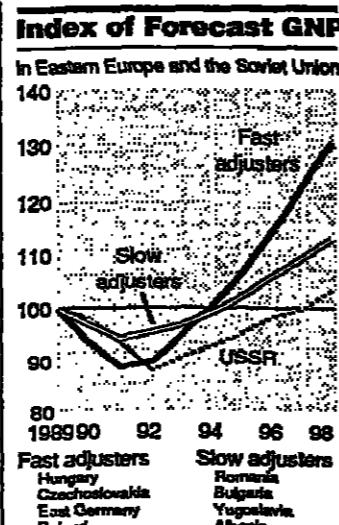
The Ford deal approved by the Hungarian Government will allow the US group to increase its vehicle exports from western Europe to Hungary.

Ford vehicle imports to Hungary will be funded by hard currency sales generated by components exports from the new plant. Ford said it was planning production of around 3.2m components a year at the Hungarian plant.

The components will form part of sophisticated electronic engine management systems, which will become standard on all cars produced in western Europe from the beginning of 1993.

From that date car makers will have to comply with tough European Community exhaust emission controls.

Mr Bruce Blythe, Ford of Europe vice president for busi-



By John Lloyd

THE next two years will be the most critically dangerous period for east and central European economies, according to a report published yesterday. It says there will be sharp drops in gross national product of some 10 per cent creating potential instability in fragile political systems.

The report, "The End of the Cycle", by Morgan Stanley, the international investment bank, also forecasts an unemployment rate in eastern Europe (excluding the Soviet Union) of 25 per cent in the industrial sector - a total of 5.5m people.

Mr David Roche, managing

director of Morgan Stanley International, said yesterday that the estimate did not count the 25m east European bureaucrats, large numbers of whom would also be out of work.

He said the main reasons for the recession, forecast to be especially strong in the "fast adjusters" of Czechoslovakia, East Germany, Hungary and Poland, were:

- the removal of price subsidies;
- removal of enterprise subsidies, stimulating bankruptcies and unemployment;
- most importantly, the repriming of east European oil

imports from the Soviet Union and machinery and other exports to the Soviets. Mr Roche estimates that this repriming next year will take up 20 per cent of all the east European states' hard currency earnings.

The unemployment resulting from the recession would be too great a burden for the newly independent states to bear, thus necessitating assistance from the west targeted on social security. The Morgan Stanley report estimated that this would run at \$800 a year for east European states, on the basis that each unem-

ployed person received the equivalent of \$1,600.

Just as east European needs are at their greatest, however, there is a strong possibility of a dearth of western capital and a slowing in world growth. Mr Roche believes that the reconstruction of East Germany - estimated to cost up to DM160bn (£23.7bn) will mop up all West Germany's current savings. This will lead to a sharp decline in West German capital exports.

Mr Roche is, however, guardedly optimistic about the medium-to-long term chances for the "fast adjusters", given

western support. He is however, pessimistic about the Soviet Union, saying that no consensus yet exists on economic reform while the crisis worsens.

"The deterioration in the Soviet economy will force a change from below - and Mr [Mikhail] Gorbachev will not survive that. I think his time will run out sometime in the next 12 months." He said that western governments and companies had not yet fully understood what would be involved in introducing the free market into eastern Europe and the Soviet Union.

Commission must reveal confidential documents

By Tim Dickson
in Brussels

THE European Court of Justice has ordered the European Commission to reveal the contents of a series of confidential policy documents and to authorise EC officials to appear as witnesses before a national court.

In what is being seen as a significant new interpretation of EC law, the Court of Justice has for the first time effectively qualified a key protocol of the Treaty of Rome which for more than 25 years has guaranteed the immunities and privileges of those who work in the Community's institutions.

EC officials said yesterday that the Court's order may have important implications for future relations between Brussels and the member states, as well as boosting the authority of national courts when they are dealing with matters of EC law. They also drew attention to the Court's competence in a new area.

The facts of the case on which the Luxembourg judges made their pronouncements late on Friday concern an alleged fishing fraud in the Netherlands in the mid-1980s. The Dutch magistrate dealing with the case received evidence from witnesses that certain Dutch fisheries officials may have been involved on the basis of their knowledge of reports carried out by EC inspectors, and said the investigation could only be pursued by seeing EC documents as well as hearing from the officials at first hand.

Faced with arguments by the Commission that the reports were effectively privileged and that revealing their contents could damage relations with member states, the Court concluded that the Treaty protocol "ought in no case to prevent Community institutions from respecting their obligation to co-operate loyally with national authorities, notably judicial ones".

That obligation "not only means that member states have to do everything they can to guarantee the implementation and efficiency of Community law... it imposes equally on the Community institutions reciprocal duties of loyal co-operation with the member states".

The Court said there could be exceptions - where co-operation would jeopardise the functioning and independence of the EC - but that it was part of its competence to decide what these were.

● European Community foreign ministers agreed to open a permanent office to oversee EC aid projects in the Israeli-occupied West Bank and Gaza Strip, Community sources said. Recent reports from Brussels said.

The EC's executive Commission will make detailed proposals on the new representation's functions in September, following visits by the so-called troika of three EC foreign ministers to Jerusalem and Tunis later this month, the sources said.

The troika, made up of ministers from Ireland, Italy and Luxembourg, is to meet the Israeli authorities in Jerusalem on July 22 and the Palestine Liberation Organisation, which currently heads the Arab League, in Tunis on July 24.

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E Europe 'faces recession and risk of instability'

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German pledge likely on Polish border treaty

By David Marsh in Bonn

THE TWO German states are expected to promise today to give top priority to confirming the border with Poland by treaty as soon as possible after unification at the end of the year.

The pledge is likely at the Paris meeting of the "2 plus 4" group on German unity. Foreign ministers of the US, Soviet Union, France and Britain, together with their counterparts from East and West Germany, are gathering specifically to discuss the Polish border.

The authorities are insisting that Ford's exports from Hungary should balance its imports by 1990.

For the first two years Ford will be able to sell 5,000 cars. In 1990 Hungary imported about 200,000 cars. Domestic vehicle production is limited exclusively to buses and trucks.

Around 12,000 Ford vehicles were purchased by Hungarians last year and imported into the country, and Ford said yesterday that it was planning to increase its vehicle sales and service representation in Hungary "as soon as possible".

Ford said that a final decision on the location of the plant had not yet been taken. It is expected, however, that the plant will be built at Szekesfehervar in western Hungary, close to Videoton, the largest Hungarian electronics company, although the facility will be wholly owned by Ford.

The components plant will have a workforce of around 200. Ford said it intended to begin recruitment shortly with extensive training of around 300 hours per employee taking place next year.

E German group links with ICI

By Peter Marsh

BULGARIA'S political crisis looks set to deepen after Mr Andrei Lukanov, the Prime Minister, said he would refuse to head a Government led only by the ruling Bulgarian Socialist (former communist) Party. Instead he called for a government of national responsibility.

Mr Lukanov, a reform communist anxious to speed economic and political changes, unsuccessfully invited the Union of Democratic Forces, the umbrella which groups the loose coalition of 16 opposition political movements, to join a coalition following last month's elections.

The UDF was defeated in the elections, which the ruling BSP won by a comfortable majority. In an interview with Bulgarian television at the weekend, Mr Lukanov warned the opposition that without their participation "a one party government (would) lead to greater polarisation in the country".

The country has been hit by strikes, nationalist tension, and demonstrations by students demanding a purge of those BSP members who still hold prominent posts.

The UDF, divided and frustrated after losing the elections, believes the BSP remains dominated by former communists who caused the economic crisis and who alone must now take responsibility for it. This partly explains why it has ruled out joining the BSP in a coalition.

But Mr Lukanov, whose own equally divided BSP is recovering from the recent resignation of President Petar Mladenov, said: "We do not suggest a responsibility for the past, but for the present and the future of the country."

Mr Lukanov is facing pressure from international financial institutions to draw up an economic reform package aimed at tackling the country's \$10bn debt. This is more urgent following the decision by the Bulgarian Foreign Trade Bank to suspend debt repayments. Mr Lukanov will find it difficult to implement reforms without national consensus.

French prices rise

French consumer prices rose by 1.6 per cent in the first six months of the year, matching the West German figure, writes William Dawkins in Paris. However, the annualised rate is 0.7 points ahead of West Germany's, at 3 per cent, according to Insee, the state statistical institute.

The monthly inflation rate rose by just 0.2 per cent in June, the same as in May, according to an Insee estimate.

PORTUGAL will allow greater fluctuations in the value of the escudo in order to discourage speculative capital inflows, according to Mr Jose Alberto Tavares Moreira, governor of the central bank, writes Patrick Blum in Lisbon.

In the short-term, this will mean allowing the escudo to appreciate against a basket of currencies. This effectively ends the authorities' practice of maintaining a "crawling peg", allowing the escudo to depreciate 0.25 per cent a month.

The measure has two objectives: by introducing uncertainty about the cur-

rency's value the authorities hope to discourage short-term capital inflows attracted by the escudo's stability and high local interest rates. It also sends a signal to Portuguese exporters that they cannot rely on exchange rate policy to guarantee their competitiveness, Mr Tavares Moreira said.

The measure is one of several being studied to curb record capital inflows which have played havoc with monetary targets and undermined efforts to control inflation now at 13.8 per cent on an annual basis.

Capital inflows have boosted the central bank's foreign exchange reserves

estimated to control more than 20 per cent through an alliance with a Portuguese group.

After the part-privatisation of Alianca Seguradora, an insurance company, France's Union des Assurances de Paris (UAP) is estimated to have gained control of nearly 30 per cent. Banesto and UAP are both expected further to strengthen their positions in the next phase of the privatisations.

The privatisation of Unicar, a brewery, was completed at the end of June with a Colombian group securing just less

than 20 per cent of total shareholding.

With general elections due next year, the Government should "stop favouring foreigners, [and instead] favour national entrepreneurs", so ministers have repeatedly stressed their support for the creation of strong Portuguese groups to take over privatised companies. However, this has failed to appear, and has possibly encouraged the critics.

Earlier this month, Mr Pedro Ferreira da Costa, the president of the Confederacao da Industria Portuguesa, a leading busi-

ness association, roundly criticised the Government for failing to protect Portuguese interests.

The Government should "stop favouring foreigners, [and instead] favour national entrepreneurs", so ministers have repeatedly stressed their support for the creation of strong Portuguese groups to take over privatised companies. However, this has failed to appear, and has possibly encouraged the critics.

In practice the Government has tried to steer a middle road, by imposing limits on foreign purchases of shares, but not to the extent that it would

discourage foreign participation and possibly endanger future privatisations.

The recent sale of the state's

remaining 51 per cent in Unicar shows some of the dangers.

The sale was both oversubscribed and undersold as lower-than-expected demand for

shares from small domestic investors could not be taken up by foreign investors. The underwriters were left with 4.7

per cent of the shares and a large per cent of foreign orders that could not be satisfied.

Analysts believe the Government fixed too high a price for the shares, which discouraged small investors.

Finding enough Portuguese investors for bigger companies will be more difficult. "Popular capitalism doesn't exist in Portugal," says a senior analyst with a financial services company.

"You just need to look at the stock market. When foreign investors come in it goes up, when they go out, the market goes down. Many people have a lot of savings but they don't invest in shares. For that to happen the Government would have to provide some real incentives."

ment which will come into being after December's elections. The new all-German parliament will ratify the treaty early next year.

The German side feels that last week's Polish step to seek continued four-power guarantees over the border was tantamount to putting Germany's good intentions into doubt. It coincides with an upsurge in resentment against Polish people living in and visiting East Germany. It has rekindled suspicions in Bonn that Warsaw may be seeking to lodge claims for wartime reparations against a united Germany to buttress Poland's serious economic position.

These resolutions are due to be converted into treaties by the United German Govern-



Frontier memories — and anxieties — still run deep

By David Marsh in Bonn

THE Polish frontier with Germany lies no more than a mile from the small village of Bobolin, past the red brick barn and across the fields. A church spire on the German side is the only building in sight.

In their run-down farmyard, Mr Wladzimir Gregor and his son tinker in stained overalls with an old piece of grass-cutting

machinery. It is still in use though it dates back to when this whole territory of Pomerania, as well as Mazuria further south, Upper and Lower Silesia, and Danzig, now Gdansk, were part of Germany.

For the people of Bobolin, near the city of Szczecin in north-west Poland, the meeting in Paris today of the four wartime allied powers and the two Germanys is crucial.

When Mr Gregor took over his farm in 1946 his wife was 18. The area was full of Russian soldiers and the abandoned farm had been damaged in the fighting. A bullet mark in the front door testifies to that.

Now he invokes the rights of war to justify his claim to the land and the buildings. A few

weeks ago he was visited for the first time by the daughters of the previous owner. "They stayed for half an hour and the older one showed the others the room she had been born in," says Mr Gregor. "She had tears in her eyes when she saw the state the buildings were in.... They said they didn't want anything just to look."

He worries about what might happen were a unified Germany to seek to regain the area. "It wasn't Poland which wanted the war, it was they who were the aggressor and

EUROPEAN NEWS

Soviet energy accidents deepen industry's crisis

By Quentin Peel in Moscow

TWO BIG accidents at the weekend in the Soviet Union's largest oil and gas producing region of western Siberia have caused new disruption to supplies, exacerbating the country's growing energy crisis.

The accidents, in the Nizhnevartovsk and Novouralsk regions of Tyumen province, were announced yesterday by Tass, in the latest confirmation that the infrastructure of the Soviet Union's single most important industry, and most important hard currency earner, is crumbling.

At the same time the industry is plagued with shortages of equipment and materials, and facing industrial disruption from a disgruntled workforce.

In one of the accidents, 27 oil wells had to be closed at the weekend after an oil leak caused by metal corrosion. The oil caught fire, Tass said, and 400,000 tonnes had been lost.

In the second accident, a leak in the main Urengoi-Uzhgorod gas pipeline caused 21m cubic metres to escape into the air, and 100m cubic metres to be blocked in the pipeline, over a distance of 65 kilometres.

"What has happened is hardly accidental," Tass quoted Mr L Roketsky, chairman of the Tyumen regional

executive committee, as saying. He said there had been 1,132 pipeline breaks in the past six months, or 15 per cent more than in the same period of 1989.

"Who will calculate the cost of spills, pollution of rivers and land?" he asked. "We were in a hurry all these years to produce oil and gas. We saved by not building standby lines, took no care to build roads, and did not properly repair pipelines... The grave situation calls for special measures."

The news was published as a top government official expressed grave concern that the country's unified price structure was breaking down, with individual republics, cities and regions simply going ahead with new prices and taxes.

Barely a week ago, Mr Nikolai Ryzhkov, the Soviet prime minister, announced that oil exports would be cut by 7m tonnes - principally to Com-econ countries - to meet a critical fuel shortage threatening the Soviet harvest.

Reports of fuel shortages, with long lines for petrol of all grades, are being reported from all over the country, but the harvest appears worst affected in southern Russia, around Rostov-on-Don, and Stavropol.

Illinois opens east block trading offices

By Barbara Durr in Chicago

THE GOVERNOR of the state of Illinois, Mr James Thompson, today inaugurates the first American state trade office in Warsaw and will do the same in Budapest on July 20.

Mr Thompson then goes to Moscow, where he is to sign a sister-state agreement for Illinois with the Russian Republic.

The governor, believes Illinois, a leading producer of agricultural goods and machinery, as well as health care products and telecommunications equipment, has special opportunities

in Eastern Europe and the Soviet Union.

Multinational companies, such as Archer Daniels Midland, the grain company, Caterpillar, the farming machinery manufacturer, Motorola, the telecommunications company, and Abbott Laboratories, the health care products company, are located in the state.

The governor opened the first state trade office last year and is scheduled to meet with Mr Boris Yeltsin while in Moscow.

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Turkey looks both east and west for a world role

Its EC application stalled, Jim Bodgener finds anxiety in Ankara over which direction to pursue next

On the stump around the country recently, Turkey's president, Mr Turgut Ozal, has made it clear there are other avenues to pursue besides EC membership. Turkey by the year 2000 could be part of a Black Sea economic union, or a much looser Economic Co-operation Organisation, a presently loose and largely ineffective grouping of Turkey with Iran and Pakistan.

Entrenched issues in the Aegean, like mineral and air-space rights, seem intractable and the two sides remain poles apart on Cyprus. Rivalry is also likely to intensify with the resurgence of nationalism in the Balkans.

Turkish officials blame Greece for the recent statement from the EC Council of Ministers in Dublin linking Cyprus with improvement in Turco-EC relations. Encouragingly, however, Greece has not yet overtly opposed the proposed release of \$600m (\$750m) in EC aid to Turkey which has been frozen on human rights grounds since the 1989 military coup.

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INTERNATIONAL NEWS

S Korea back to business — but there's no 'as usual' about it

Behind the better numbers are some significant changes from the traditional pattern of growth, writes John Ridding

THE South Korean economy seems to be back to business as usual — on the face of it at least.

After a hiccup last year, which saw the growth rate almost halve to 6.7 per cent, gross national product increases are heading back to the double digit level which they enjoyed from 1986 to 1988.

Talk of economic crisis, prevalent earlier this year but always hard to square with the numbers, has evaporated, as have the gloomy prognostications of officials and industrialists.

Two reasons lie behind the change in sentiment. The reality of economic statistics has become increasingly hard to reconcile with pessimism. First-quarter GNP growth of 10.3 per cent was much higher than expected and has prompted research institutes and government departments hurriedly to raise their forecasts.

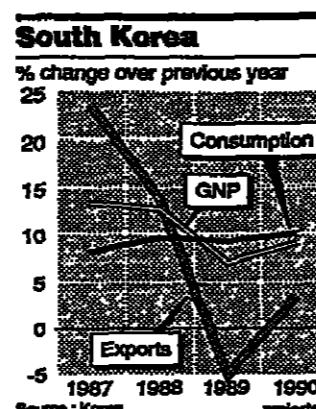
The consensus for GNP growth for the year as a whole has climbed from about 6.5 per cent to between 8 and 9 per cent. At the same time, the expressions of gloom have suc-

cessfully served their purpose of pressuring trade unions into more moderate wage demands. Wage increases this year have averaged less than 10 per cent, compared with almost 20 per cent last year, while the number of industrial disputes fell from 331 in the first three months of last year to 57 in the same period this year. Lost production fell from Won 1.6 trillion (\$1.25bn) to Won 70bn.

Behind the numbers there are significant changes from the traditional pattern of Korea's economic growth. Business is in fact rather different from usual. In particular, the engine of growth has continued to shift from the external to the domestic sector, with construction and domestic consumption taking up the running from export led-growth.

These changes are clearly seen in a breakdown of the performance of the economy in the first quarter. The construction sector increased its output by 39.1 per cent while domestic consumption rose by 12 per cent. By contrast, exports

struggled to a feeble 1.9 per



Source: Korea Development Institute

cent rise in value terms and increased just 0.1 per cent in volume terms.

For many analysts the shifting pattern of economic expansion is causing concern. "We are not satisfied with the economic performance of the first quarter," says Mr Park Won

Won of the Korea Development Institute, a government-backed think tank.

"Outsiders looking just at the economic growth may think the situation is very good but we are very much

concerned about the economic structure and feel we need better harmony between growth, current account and inflation."

The increasing importance of the domestic sector, and domestic consumption in particular, is a natural development in a maturing economy. But what causes concern is the speed of the adjustment and the fact that it highlights the protracted weakness of the Korean export machine.

The continued effects of high wage increases, currency appreciation — in particular against the yen — and slowing demand in Korea's major markets, has prompted five straight months of current account deficits so far this year. "We are now targeting a current account of zero rather than a surplus," says Mr Park.

The consumption boom, too,

has raised concerns. "What we are worried about is excessive consumption by certain groups," says a member of the ruling Democratic Liberal Party, echoing a common fear

that "conspicuous consumption" by the wealthy will exacerbate social tensions in Korea's fiercely egalitarian

society. Foreign companies have suffered as a campaign against so-called luxury imports has forced the closure of outlets for Gucci, Burberry and other famous brand names.

A greater headache, however, is posed by the problem of inflation. The Government's annual target of 5.7 per cent growth in the consumer price index has already been passed and double digit inflation for the year as a whole seems certain.

Price rises, fuelled by demand pressure in the construction and agricultural sector, high money supply growth and the legacy of high wage increases between 1986 and 1988, look set to record their highest increase since 1981.

A ll of these concerns are likely to ease in the second half of the year. "We expect a better balance by the end of 1990," says Mr Park, who forecasts a slowdown in inflation, domestic consumption and construction and a pick-up in exports as the effects of lower wage rises and the appreciating yen feed

through. In the case of exports, the KDI is predicting 6 per cent volume growth in the second six months, although the key basic assumption of continued yen appreciation to a rate of Y140 to the dollar remains a hostage to fortune.

The current account seems set to return to the black in June, and is likely to stay that way until the end of the year.

Construction growth is expected to slow, in particular in the fourth quarter and inflation should also ease as tighter monetary supply, and reduced demand and wage pressures become apparent.

Inflation is not perceived as an institutionalised insuperable problem. "Inflation doesn't cause us to panic," says Mr Koo Bon Young, an economic secretary to the President, who views it as a managable problem of macroeconomic management.

A more general concern is for how long the current pattern of growth is sustainable. Low wage increases combined with sharp increases in rental payments and housing costs are likely to reduce the strength of domestic demand and labour.

while construction will also provide less of a stimulus. To the extent that the current strength of the domestic sector reflects previous strong export growth, the current weakness of South Korea's shipments may herald a more general slowing in economic growth.

But the real worry for Mr Koo and South Korea's other technocrats remains the spectre of industrial relations problems which are far less amenable to economic fine tuning.

"I still believe that the labour problem is our most basic one," says Mr Koo. "because all the other important adjustments in the economy cannot be carried out in an atmosphere of labour disputes."

Such fears may seem misplaced given the calm of this year's wage bargaining process. But the fact that many workers will suffer a real pay cut this year and have achieved significant productivity gains could easily prompt a renewal of high wage demands and undermine the fragile relations between management and labour.

Bank of Melbourne hit by crisis rumours

By Kevin Brown in Sydney

THE Reserve Bank of Australia yesterday moved to protect the Bank of Melbourne, a former building society hit by rumours of imminent collapse, by publicly guaranteeing depositors' funds.

The announcement was the second public intervention by the bank this month in response to declining investor confidence in parts of the non-bank financial sector.

Mr Bernie Fraser, the Reserve Bank Governor, said he wanted to scotch unfounded rumours that the Bank of Melbourne was suffering liquidity problems and would close its doors this week.

Mr Fraser said the Reserve Bank would ensure that the Bank of Melbourne was able to meet all its prudential requirements, and that its depositors were protected.

Mr Chris Stewart, Bank of Melbourne chairman and chief executive, said a series of "quite malicious rumours" had been circulating about the bank, which has assets of A\$3.7bn (\$3.5bn).

The Bank of Melbourne is the first bank to be hit by uncertainty caused by the impact of a slowdown in the economy following a long period of high interest rates.

However, the bank appeared to have suffered because of its close identification with the building society sector. The bank, formerly REST-Statewide, was the biggest building society in the state of Victoria until July last year, when it was listed on the Australian Stock Exchange as a bank.

Investor confidence in the non-bank sector has been shaky since the collapse two weeks ago of the privately-owned Farrow Corporation building society group, also based in Victoria.

The Reserve Bank was forced to guarantee lines of credit to the remaining Victoria building societies, but Farrow Corporation depositors appeared likely to lose much of their funds until public pressure forced the state government to offer a guarantee.

The problems also spread yesterday to the REST friendly society, which was taken over last week by the stronger IOOF friendly society following rumours about its liquidity.

Hundreds of investors queued to withdraw funds from REST offices after the IOOF announced that A\$300m in three REST funds had been frozen for up to two years.

Mr Philip Gallagher, IOOF general manager for planning and development said the society was "comfortable" about the withdrawal of funds. However, officials were at many branches trying to convince investors that there were no problems with other REST funds.

Further trouble could emerge later this week in the unlisted property trust sector, which has assets worth around A\$10bn.

The National Companies and Securities Commission, Australia's corporate watchdog, said some property trust management companies might be forced by lack of liquidity to suspend provisions under which they guarantee to redeem units from unit holders.

The commission said it would support trusts which decided to suspend redemptions provided the action was to avoid the need to sell property assets cheaply to provide liquidity.

The commission encouraged trusts to seek alternative methods of providing liquidity for shareholders through listing on the stock exchange or developing other secondary markets.

Analysts said the uncertainty in the non-bank sector was likely to increase while interest rates remain high. However, the problems are thought unlikely to spread into the mainstream banking sector.

Arab boycott over exodus of Soviet Jews

ARAB states have decided to boycott companies and other institutions which help Jews migrate to Israel. Reuters reports from Tunis.

Arab foreign ministers meeting in Tunisian capital said in a statement yesterday that the future of Jews posed "a very grave threat to national security, to the inalienable rights of the Palestinian people and to peace efforts".

They also entrusted the Damascus-based Arab Boycott Office with the task of applying boycott laws.

Arab diplomats said the boycott was directed at commercial companies and non-governmental organisations, not at states which allow migrants to cross their territory. The two-day meeting had been requested by the PLO.

Devi Lal chooses showdown with party rivals

By K.K. Sharma in New Delhi

MR Devi Lal, India's deputy prime minister, had a big role to play in founding the Janata Dal and its election victory last November.

Since then, he has appeared determined to destroy the organisation he helped to create.

Barely 100 days after Mr V.P. Singh's National Front government was formed, Mr Devi Lal created its first big political crisis by submitting his resignation.

Then, as now, the motive for his political actions was the interests of his son, Mr Om Prakash Chautala, and other members of his family with its political base in the north-western state of Haryana — Mr Devi Lal's stalking ground for more than four decades.

Mr Devi Lal remained as chief minister of the state as he had planned until his induction into national politics late last year, he could have nursed his offspring in any way he wanted.

As the small banks caught up, the ministry gradually relaxed operating hours to 8.45am to 7pm on weekdays and 5pm on Saturdays. Early next year, the big banks intend to operate their machines on Sundays though some regional banks and small institutions have already started.

Japanese carry much larger amounts of cash on average than Americans or most Europeans. So ATMs have to be very well stocked. Last week, thieves stole Y16m (\$59,200) from two machines at a credit union in Chiba, near Tokyo.

The National Police Agency says Y230m has been stolen from ATMs in the last seven months in 176 incidents. The biggest haul was Y26.93m taken from a machine in Nagoya, the third-largest city.

The top 12 retail banks were initially reluctant to open their expensively-developed network to outsiders but were forced to do so by the ministry of finance which fears for the future of many small banking institutions. While the ministry is encouraging the small banks to merge, it is also trying to make sure the big groups do not dominate the market.

Earlier this year, 64 regional banks joined the top banks' network. Yesterday was the turn of the credit unions. In December, the first foreign company will be admitted — Citicorp, the US bank which

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In return for allowing outsiders in to the network, the city banks have secured an important concession in the form of permission from the ministry to operate ATMs on Sundays.

When banks introduced the machines in the mid-1970s, the ministry insisted that their operating hours be restricted to prevent the big groups with sophisticated ATMs taking too much business from small institutions where tellers were still making hand-written entries into bank books.

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Bank of
Melbourne
lit by crisis
rumours

ECGD delays 'may be blocking British deals in Mexico'

By Richard Johns in Mexico City

POTENTIAL British contracts with Mexico worth \$40m-250m in the form of agreements in principle or awaiting contract tenders are understood to be blocked because of the failure of the Export Credit Guarantee Department to provide cover.

This emerged during the top-level British private sector mission to Mexico last week, led by Mr Leopold de Rothschild, a bank director and spokesman for the Export Credit Guarantee Department.

The delays are caused largely by bureaucratic reasons, in particular priority being given to India and China, according to one member of the mission. Both have a higher rating than Mexico, despite changes in Mexico's foreign investment law and the recovery of its economy, he said.

Asked about the current western preoccupation with eastern Europe and its investment prospects elsewhere, a source of major concern in Mexico, Mr de Rothschild said recently he compared it to the "rush into China" before people realised what the time-span would be before realising successful investments.

As for Mexico, he said he was "encouraged by the progress of the foreign investment law particularly in relation to intellectual property rights" (on which legislation is promised soon).

Promising that members of the mission would return home.

Turkey backs Soviet plant deal with \$350m credit

By Jim Bodgeman

TURKISH contractors are to build light industrial plant in the Soviet Union backed by \$350m (G150m) worth of credit from the Turkish Export Credit Bank (Eximbank).

The deal, reached with the Soviet Vneshekonobank, will further expand Turko-Soviet trade, already growing within the terms of an exchange of Soviet natural gas for Turkish goods and services. Trade stood at \$1bn in 1988, a rise of over 100 per cent since 1985.

In the latest deal, terms are

Japanese reject revisions to Gatt anti-dumping code

By William Dufforce in Geneva

JAPAN HAS rejected as inadequate and unbalanced the revisions of the anti-dumping code tabled last week by Mr Charles Carlisle, deputy director-general of the General Agreement on Tariffs and Trade.

The revisions went only half-way to meet Japan's demands for clearer, more objective rules on what constitutes dumping, a Japanese trade official said.

On the other hand, the official protested, Mr Carlisle had included 95 per cent of a US proposal to prevent exporting companies circumventing anti-dumping duties by assembling components in the importing country or by exporting from a third country.

Mr Carlisle's paper outlined a possible compromise over anti-dumping which has become one of the most bitterly contested issues in Gatt's trade liberalising Uruguay Round.

But with only a week left before the Round's Trade Negotiations Committee (TNC) meets to set the programme for the last four months of the talks, Japanese officials said Mr Carlisle's proposals did not offer an appropriate basis for continuing the negotiations.

Dumping is the act of selling a product on a foreign market at a price lower than that for which it is sold in the exporting country.

The US and the European

Uruguay Round clash looms on textile trade

A CONFRONTATION over trade in textiles and clothing at next week's meeting of the Uruguay Round's Trade Negotiations Committee (TNC) is now inevitable, William Dufforce reports from Geneva.

Third World countries have agreed to do away with the Multi-Fibre Arrangement (MFA) governing the trade as a central condition for their co-operation in other trade liberalising measures.

Now the 22 exporting countries forming the International Textiles and Clothing Bureau (ITCB) have rejected as a basis for further negotiation the draft framework agreement tabled by Mr Lindsay Duthie, chairman of the group negotiating on textiles and clothing.

Mr Duthie's draft is a revision of an earlier one which was severely criticised last week by

US crashes Japanese building groups' cosy party

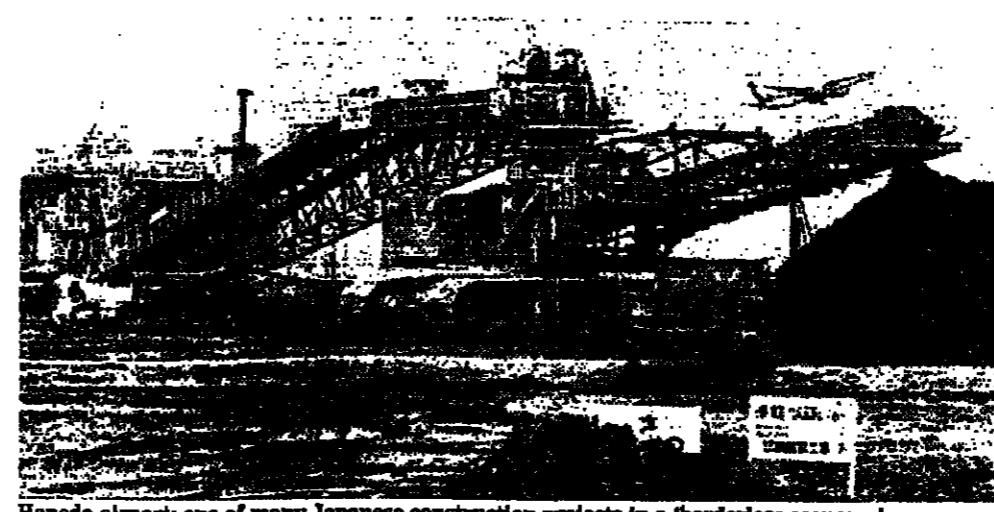
The 'dango' system of public works contracting is having to be abandoned, writes Robert Thomson

ONCE a month, the heads of Japan's largest construction companies get together for what they call the "Green Club". Over a meal they chat about politics or the raw materials market, and then retire to the golf course, where the talk is of handicaps and upcoming public works contracts.

Now, the US has crashed the golf party, claiming that organisations such as the "Green Club" are a front for bid-rigging and contract-fixing, and forcing the construction industry golfers to find new playing partners from next month.

Fear of "dango", the system of cosy relationships among Japanese construction companies, is at the centre of Washington's campaign to bring about changes in the "culture" of the Japanese economy to make it more receptive to foreign trade. Dango were debated during the Structural Impediments Initiative (SII) talks between the US and Japan with Tokyo agreeing to US requests to toughen the monitoring of fair trading regulations.

Japanese officials say the US misunderstands "dango", which plays an important role in solving the industry's problems, ensuring a smooth completion of contracts, and protecting smaller companies from being trampled by the



Haneda airport: one of many Japanese construction projects in a 'borderless economy'

big ones in the rush for work.

Mr Hajime Sako, chairman of Taisei Corporation, one of the leading general contractors, sees the difference in perception arising from the different backgrounds of Western and Japanese cultures: "It is the difference between a hunting people and an agricultural people. Hunters keep what they catch. The Japanese are farming people and have a greater spirit of sharing."

But he said that the Japanese industry recognises that in the "era of the borderless economy" no country can have

"a special system of its own", and so the "dango" system is being abandoned.

"The old order is disappearing. We have to construct a new system that is accepted

throughout the world. But it will take time. People giving us orders will also have to do things differently. There will have to be new rules for compensation," Mr Sako said.

"It is rare that foreigners intend a positive meaning when they say dango. We have

to protect the smaller companies - that is one process

behind the dango. And the client trusts the construction company and lets it take care of everything. Trust plays an important role."

Washington's opinion of the

cosy relationships in the industry has been influenced by allegations that 145 construction and related companies rigged bids over three years for 178 contracts at a US naval base near Tokyo. About 100 of the companies recently agreed to pay a total of Y4.7bn (217m) in compensation to the US Government.

"Peter Montague, World Trade Editor adds: ECGD said yesterday it had made over \$100m worth of medium-term cover available for actual and potential exports to Mexico in the past year. The availability of further medium-term credit is currently under review.

try has promised to ensure that guidelines will be clearer on tender advertisements for public works projects, which are likely to come under increasing US scrutiny because of Tokyo's pledge, in the SII talks, to increase public investment significantly over the next 10 years.

But the US has remained sceptical about whether the Japanese Government has the political will to overhaul the industry. Construction companies are an important source of funds for the ruling Liberal Democratic Party.

The SII agreement lists spe-

cific construction projects, such as the Kansai International Airport and the Tokyo Bay area development, which could provide contracts for foreign companies. Also Tokyo has promised to consider criminal prosecution in bid-rigging cases and to strengthen the powers of the Fair Trade Commission (FTC), the anti-monopoly body.

Procuring agencies will rigorously deal with any bid-rigging cases... and will on their own judgment report relevant information regarding such activities to the FTC. Japan promises in the final SII report, which will be reviewed three times in the coming year.

Mr Sako is concerned that the FTC, criticised in the past for being "toothless", is under pressure from Washington to prove its vigilance and may make an example of construction companies, even though the industry is committed to making its procedures more transparent.

He is not sure how long Japan's industry will take to change to satisfy US demands, but he said that the dango had died.

Asked whether construction company heads would continue to discuss business on the 14th June, Mr Sako said that one-to-one agreements could be made, but co-operation on a large scale would be impossible.

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AMERICAN NEWS

White House orders Nasa review

By Lionel Barber in Washington

THE WHITE HOUSE yesterday ordered the National Aeronautics and Space Administration (Nasa) to create an internal task force to examine the US space programme's long-term direction.

The management review aims to restore public confidence in Nasa after recent setbacks, including the grounding of the space shuttle fleet and a flaw discovered in the \$1.5bn (£330m) Hubble space telescope.

Vice President Dan Quayle, who chairs the Space Council inter-agency group, said Admiral Richard Truly, the Nasa

administrator, would put together the task force. "Contrary to some published reports there is no White House investigation of Nasa," he said.

The panel of experts is expected to study ways to reorganise the agency and redefine US goals in space which, Mr Quayle said, continued to be a priority for the Administration. Mr Bush has talked about a manned mission to Mars, at an estimated cost of \$400bn over a 30-year period.

But the Hubble telescope's recent problems and the grounding of three shuttles

because of fuel leaks have provoked criticism in Congress and much public hand-wringing about US technological decline.

The Hubble telescope was seven years behind schedule and at least \$150m over budget when it was launched on April 24. Last month Nasa engineers discovered an optical defect in its light-gathering mirror system.

The defect compromises the telescope's much-vaunted ability to scan the depths of the universe. The mission will be salvaged only when the defect is corrected in 1993, or

possibly earlier. Nasa engineers say the source of leaks in the liquid hydrogen fuel lines of two shuttles should be easy to repair. They add that safety issues are paramount.

Senator Al Gore, chairman of the Senate sub-committee on space and technology, has blamed current problems on the lack of quality control at Nasa in the early 1980s.

Together with other members of Congress he raised doubts about whether Nasa was able to take on new projects, such as a proposed \$30bn earth-orbiting space station.



Admiral Truly: to assemble external task force

Spending programmes at risk as US deficit grows

Peter Riddell on the mid-session budget review

T HE US federal budget deficit could be as high

as \$23bn (£129.05bn) in the coming 1991 fiscal year, including costs of the savings and loan rescue, according to the mid-session review presented to Congress yesterday by the Bush Administration.

The statement underlines the substantial increase in official estimates of the deficit since the Bush budget was proposed six months ago. Senior administration officials yesterday used the figures to warn of possible draconian consequences for spending programmes. This is intended to step up public pressure on Congress to reach an early agreement in current budget summit talks on a multi-year deficit reduction package.

In January the administration projected a deficit for fiscal 1991 starting this October of \$100.5bn, before taking into account measures intended to reduce it below the statutory target of \$64bn under the Gramm-Rudman law.

This figure has now risen to \$168.5bn – on the almost certain assumption that Congress authorises the continuation of the food stamp programme for the poor. The increase reflects the combination of higher than previously projected interest rates (adding \$21bn), slower than hoped economic growth, and changes in various technical assumptions (notably shortfalls in key revenue receipts).

Since large areas of expenditure – such as social security and similar retirement programmes, already-committed defence contracts, and debt interest – are exempt the impact would be very large elsewhere. Assuming a \$100bn requester there would have to be cuts of 34.8 per cent in non-defence programmes and 26.1 per cent for defence, assuming no presidential exemption of military personnel (and 41.3 per cent if the latter are exempt).

Under the Gramm-Rudman law, automatic spending cuts known as sequestration will come into effect in October unless Congress approves a package cutting the deficit to less than \$74bn (£40bn cushion above the deficit target is allowed). The sequester cuts would be \$24.4bn before taking account of food stamp approval and just over \$100bn assuming this programme is approved.

The report states that "an informal consensus (or near-consensus) has developed within the (budget) summit that given the current and likely short-term course of the economy "a fiscal package that added up to more than 1 per cent of GNP would be taking unnecessary risks with the economy".

The mid-session review, however, makes clear that such a package would only reduce the 1991 deficit to \$176.2bn, including thrift rescue costs. The total would still be more than \$113bn even after these costs were excluded; that is nearly 40bn above the statutory target.

The administration's proposal of late June would have cumulatively reduced the deficit by \$44.8bn over the 1991-95 period, producing a fiscal surplus by the mid-1990s.

The statement says it is implicit that "if a satisfactory multi-year budget summit agreement is enacted, there will have to be a corresponding adjustment of the Gramm-Rudman deficit targets. However, the administration does not favour any such target adjustment independently of the enactment of a responsible, substantive, multi-year deficit reduction programme."

Chicago pits fraud trial falls short of its billing

Limited verdict in the first case fails to live up to expectations, writes Barbara Durr

T HE credibility of the US Government's efforts to clean up the Chicago futures pits is under strain after the first of three fraud trials last week failed to provide the dramatic convictions the Government sought.

An undercover Federal Bureau of Investigation "sting" operation that led to 48 indictments of traders last year – and on which the first trial this year are based – also helped end this year that was wronged in the futures pits was acquited.

However, the jury last week delivered a mixed verdict which failed to meet the expectations surrounding the case. Two of the three men on trial – a broker and two traders of Swiss francs at the Chicago Mercantile Exchange (CME) – were convicted, but on a tiny fraction of the charges against them. The third was acquitted.

The jury was unable to reach a decision on dozens of other counts, including all of the most serious charges of racketeering and mail and wire fraud. "If this were back in the old days in Japan, the prosecutors would have to commit hara-kiri," said Professor Morton Miller of the University of Chicago Graduate School of Business.

Prof Miller, a specialist on the futures

industry, is also a board member of the CME. But the tight-lipped prosecuting team of three assistant district attorneys said only that they were "heartened by the guilty verdicts" and would pursue a retrial on the counts on which the jury was deadlocked.

Federal District Court Judge Ann Williams declared a mistrial on those counts and thus, under American law, can allow a retrial. After this next verdict, the Government faces significant pressure to win resoundingly its next two cases. In September, 16 Japanese yen traders and brokers and 13 soybean traders and brokers are to go on trial.

The first trial's result, however, "has the appearance of the Government hav-

ing oversold the problem", said Mr Thomas Russo, a commodities and securities lawyer with the New York firm of Cadwalader, Wickersham & Taft. Mr Russo, who claims the largest commodities law practice in the US, said that while the convictions indicated there were problems in the pits, "they did not measure up to the indictment".

The Government didn't deliver, "he said. One reason may have been that educating a jury about the complexities of commodity futures trading and then trying to establish guilt on the basis of split-second, complicated trading procedures is a tough task.

The jury, having sat through seven weeks of lawyers' arguments, wrestled for 70 hours during 11 days and was

unable to come to decisions on a vast majority of the charges.

The defence relied on the complex and arcane nature of futures trading to exonerate their clients. They claimed that the prosecution's star witness, FBI agent Mr Randall Jarrett who testified for 14 days, could not understand what he thought he saw when he posed as a corrupt Swiss franc trader for 10 months in 1988.

Mr Jarrett was forced to admit that he was no expert and, according to his own secret recordings of action in the pit, there was room for doubt that he was even able to manage his own trades.

The Government insisted all along that what was recognisable, but the trial's result suggests that such cases are extraordinarily difficult to prosecute.

None the less, the Government's efforts to "clean up" the futures industry have already had some salutary effects.

Both the CME and the Chicago Board of Trade have tightened surveillance procedures, moved to develop an electronic trading card that will make cheating far more difficult, and handed out stiffer punishments for infractions.

Tracy fans at last get the message

By Roderick Oram in New York

POOR Tess Trueheart! Whenever Dick Tracy is about to hurt out some declaration of his love for her, his wristwatch radio crackles to life with news of yet another heinous crime.

"I'm on my way!" the detective hero of comic book and film tells his watch, as once more he deserts love-lorn Tess.

Now help is near for anyone with Tracyesque fantasies; the world's first message-watch went into commercial service yesterday morning in Portland, Oregon. By the end of next year 17 US cities and at least two European countries – most likely France and Britain – should be hooked up.

However, the watch can only receive messages. AT&T, the small San Francisco company that has been developing the message-watch together with Hettori Seiko of Japan, believes two-way communication is some years away.

The device, which is about the size of a conventional timepiece, displays on the watch face simple messages such as "call office" and "call home", a string of 16 digits, or a code number. It can store and recall up to eight messages.

The watches have already been put to a variety of uses in field tests. One newly-wed couple decided code five meant for them "I love you". Thrice daily at least the wife telephoned her husband's watch and sent him code five.

Another user has worked out with his broker an elaborate system using 16-digit numbers. Each string can convey information on a stock, its price and volume.

The device costs \$225 (£125) to buy and \$12.50 a month for the message service. Messages are telephoned to a clearing house then broadcast from FM radio stations.

Hettori Seiko developed and makes the watches while AT&T develop the transmission and reception technology. Plessey, the UK electronic group, worked on some of the circuits.

next years, in line with long-term rates, as inflation and the federal deficit are reduced.

The deficit figures exclude the impact of the rescue of the savings and loan industry. This adds an estimated \$26.2bn to the deficit projection, to take it up to \$231.4bn. However, under the current law the Resolution Trust Corporation handles the rescue runs out of money around the end of this calendar year so its expected

outlays under congressional authorisations make virtually no impact on the legal definition of the deficit.

Under the Gramm-Rudman law, automatic spending cuts known as sequestration will come into effect in October unless Congress approves a package cutting the deficit to less than \$74bn (£40bn cushion above the deficit target is allowed). The sequester cuts would be \$24.4bn before taking account of food stamp approval and just over \$100bn assuming this programme is approved.

This figure has now risen to \$168.5bn – on the almost certain assumption that Congress authorises the continuation of the food stamp programme for the poor. The increase reflects the combination of higher than previously projected interest rates (adding \$21bn), slower than hoped economic growth, and changes in various technical assumptions (notably shortfalls in key revenue receipts).

Since large areas of expenditure – such as social security and similar retirement programmes, already-committed defence contracts, and debt interest – are exempt the impact would be very large elsewhere. Assuming a \$100bn requester there would have to be cuts of 34.8 per cent in non-defence programmes and 26.1 per cent for defence, assuming no presidential exemption of military personnel (and 41.3 per cent if the latter are exempt).

The mid-session review, however, makes clear that such a package would only reduce the 1991 deficit to \$176.2bn, including thrift rescue costs. The total would still be more than \$113bn even after these costs were excluded; that is nearly 40bn above the statutory target.

The administration's proposal of late June would have cumulatively reduced the deficit by \$44.8bn over the 1991-95 period, producing a fiscal surplus by the mid-1990s.

The statement says it is implicit that "if a satisfactory multi-year budget summit agreement is enacted, there will have to be a corresponding adjustment of the Gramm-Rudman deficit targets. However, the administration does not favour any such target adjustment independently of the enactment of a responsible, substantive, multi-year deficit reduction programme."

Brazil's credit rating lowered

By Stephen Fidler, Euromarkets Correspondent

US BANK regulators have downgraded their evaluation of Brazil's short-term foreign debt to sub-standard, a move which sends a further warning to banks about the country's worsening credit standing.

The move, by the joint regulators on the Interagency Country Exposure Review Committee, accompanied the decision, disclosed last week, which lowered the rating of Brazil's medium- and long-term debt to value-impaired.

The sub-standard rating is one above value-impaired and does not require compulsory reserves from banks. Banks say the decision may affect the country's short-term credit lines which it needs for trade.

The ICERD downgrading was discussed in Brazil by Mr John Reed, the chairman of Citicorp, Brazil's largest bank creditor, and the Brazilian President Fernando Collor de Mello.

Mr Reed is said to have urged Mr Collor to make some interest payments to banks. Arrears are close to \$6bn (£3.4bn). A Brazilian strategy under which banks would be last in the line of foreign creditors for negotiations would be

counter-productive, he is believed to have argued.

The bank's assessment of Brazil's debt came as Ms Zelia Cardoso de Mello, the Brazilian Finance Minister, began in London a first European roadshow explaining her government's stabilisation programme, Robert Graham adds.

In an intense round of meetings that included an hour with Mrs Margaret Thatcher, the British Prime Minister, she gave a cautious but upbeat assessment of efforts to curb hyperinflation, control the fiscal deficit and restore Brazil's international credibility.

Speaking to bankers and businessmen, she also hinted that Brazil was willing to consider extending provisions for debt conversion to cover a broad area of privatisation.

Argentinian officials are expected to meet with creditor banks led by Citicorp early next month. The Government has made a second \$400m interest payment to banks this year.

The International Finance Corporation, the private sector arm of the World Bank, opened its first office in Latin America today, in São Paulo. Christine Lambe writes from Rio de Janeiro.

In Rio, Sir William Byrne, the head of IFC, said he was "optimistic" about the new Brazilian strategy and hoped to assist in its development "by bringing in foreign investment both through debt-equity conversions and the creation of funds."

Communication

to the Holders of Warrants attached to the 3½% Bonds 1986-93 of Inspectorate International Finance N.V. of US\$ 75 000 000 and unconditionally guaranteed by Adis SA, Chésérex (Switzerland)

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UK NEWS

Midland Bank to fight prosecution on trustee duties

By David Barchard

MIDLAND BANK, one of Britain's largest clearing bank, said yesterday it would vigorously defend itself in the courts against a prosecution brought by the Department of Trade and Industry over its role in the Barlow Clowes affair.

The DTI issued a total of 11 writs against Midland Bank, a fund management company and three firms of financial advisers last week, claiming that they breached their duties of trusteeship towards investors who were owed money by Barlow Clowes, the investment group closed down in 1988 by the Securities and Investment Board, the City regulatory body.

If successful, the actions could lead to the recovery of some of the £150m compensation paid out by the Government to investors who lost their savings when Barlow Clowes collapsed.

Along with Midland Bank, the DTI is suing Tower Fund Managers, and three intermediaries, D.C. Wilson of Manchester, now in liquidation; Analysis Investment and Management Services; Investment and Pensions Advisory Services of Survey and two of its directors, Mr David Gray and Mr David Myers.

The writs were issued on July 10 on the orders of Mr Nicholas Ridley, the former Trade and Industry Secretary.

The writ against Midland Bank may not be served for several weeks. It is understood to be unusually complex and runs to 268 pages. It alleges that Midland failed in its duties as the constructive trustee of the Barlow Clowes accounts held at its City branch and at its branch on Jersey which should have been held in trust for individual shareholders.

Midland Bank said yesterday there was "no figure in the writ."

The Government is launching the action in the name of individual investors with Barlow Clowes who assigned their legal rights of recovery to the Government in return for compensation.

The charges against Midland hinge on the degree to which it, as banker, could have been expected to know that the assets deposited with it by Barlow Clowes were being dealt with in a manner contrary to the terms of the trust to which they belonged.

British Gas enters power market with French group

By Maurice Samuelson

BRITISH GAS is to enter the electricity market as a builder and operator of city centre heat and power stations through a new company, CitiGen, which it has formed jointly with Utilicor Holdings, the British arm of two French energy companies.

CitiGen's initial investment would be "in the region of £20m per project or more," British Gas said yesterday.

Utilicor is owned by Idex, a French heating service utility that is being disbanded into the atmosphere, as happens in conventional power stations. Such a move could herald a break-through for district heating in Britain, where, unlike in Europe and Scandinavia, it has

been virtually unknown. British Gas's participation has been spurred by the new focus for gas as an electricity fuel, as seen in the plethora of new power station projects funded by the shake-up of the British electricity market.

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Fall in retail sales confirms spending squeeze

By Andrew Marshall, Economics Staff

A LARGE fall in UK retail sales last month confirmed that consumer spending is finally being squeezed by high interest rates.

The volume of retail sales fell by 2.8 per cent in June, more than in any month since July 1979, according to provisional seasonally adjusted figures released yesterday by the Central Statistical Office.

The drop demonstrated that interest rates are bringing about the reduction in domestic demand desired by the Government, though the Treasury stressed that rates must remain high for the time being.

London's financial markets welcomed the figures, with reservations. "The market treated the data with some caution, because of scepticism over the volatility of monthly figures

and the accuracy of seasonal adjustment," said Mr Nigel Richardson of Warburg Securities. The pound finished over a penny higher at DM2.9835, resuming its climb towards the level of DM3 which it narrowly failed to reach last week.

Although the month-on-month figure over-estimated the scale of the reduction in retail activity, analysts said, it still indicated a considerable slowdown. In the year to June, the volume of sales rose 0.9 per cent compared with a rise of 1.4 per cent in the year to May, closer to the underlying rate.

Sales rose by 0.6 per cent in the April-June quarter over the previous three months, and by 1.6 per cent over the same period one year earlier.

In value terms sales in the five-week June period totalled

a non-seasonally adjusted £11.33bn, 7 per cent higher than a year earlier, down from an annual increase of 8 per cent the previous month.

This confirms the weakness of High Street demand which was also shown in yesterday's CBI/FT Distributive Trades survey, as tight monetary policy and the poll tax bite into consumers' disposable income.

Mr Bernard Hughes of the Retail Consortium said:

"Retailers struggled against poor weather and high interest rates to achieve growth in June. Trade was extremely tough in some areas, and the overall figure is still influenced by the food sector, with its relatively high inflation factor."

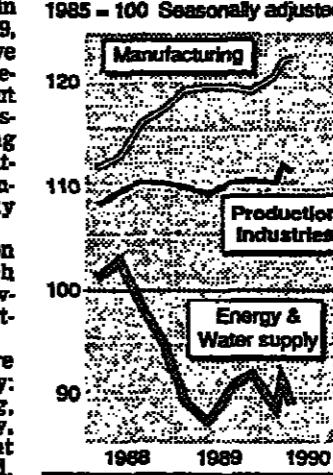
Food sales are less affected by the credit squeeze, and food retailers have so far been relatively immune to the downturn.

The previous largest fall in retail sales was in July 1979, after the ruling Conservative Party's first budget, and preceded a deep recession. But separate figures released yesterday showed continuing growth in manufacturing output, because exports are maintaining industrial activity while domestic demand falls.

This is an ideal combination for the Government, which seems to be achieving the slowdown it wants without court-ing recession.

Mr Richard Jeffrey of Hoare Govett commented yesterday: "Output is still growing, output is growing but weakly, and overall the Government can be relatively satisfied. They are past the worst."

Output



ICI faces industrial action over pay offer

By Michael Smith, Labour Correspondent

IMPERIAL Chemical Industries (ICI) is faced with the possibility of industrial action after it yesterday refused to increase a pay offer which would add 9.8 per cent to basic rates and provide workers with the chance of taking an extra five days' holiday a year.

The offer, one of the most generous in the present pay round, was rejected by a ratio of seven to five in a vote among the 18,000 blue collar staff, despite having been recommended by union negotiators.

Union leaders said an industrial action ballot was almost inevitable following the rejection. However, they would not say whether they would be recommending a vote for strikes or other industrial action in any ballot.

The vote indicates the pressure on employers for higher pay settlements following a rise in inflation rates to 9.8 per cent in the year to June. The stance of workers at ICI will influence other pay negotiations, including those covering 15,000 manual workers in local government and 140,000 workers at British Telecom.

Local authority pay talks begin today following warnings last week by union leaders that they were looking for a settlement of at least 10 per cent, which also included a reduction of working hours and improvements in sick entitlement.

In the BT talks, union leaders have already rejected an offer of 8.5 per cent.

ICI has not suffered a national pay strike in its 64-year history. Union negotiators will meet to decide their next move on Thursday but Mr Fred Higgs, secretary of the joint union negotiating committee, said yesterday that a ballot on industrial action was inevitable. Mr Higgs would not say last night how many people had voted on the pay offer.

Under the rejected offer, ICI proposed to increase basic rates by 9.8 per cent, with an increase in mobility bonuses from 1 per cent to 2 per cent of annual salary.

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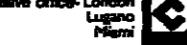
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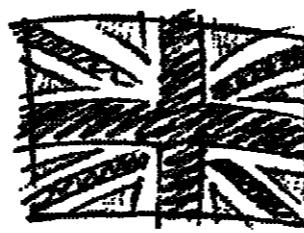


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BRITAIN IN BRIEF



Banks sue London borough

A group of nine foreign and UK banks issued writs against Hammersmith and Fulham, West London borough, and four councillors in a bid to recover millions of pounds owed to them on the council's capital markets activities.

The banks' action follows a ruling by the court of appeal that partly sanctioned the council's activities in the international capital market. Barclays Bank served a similar writ on the council in July.

Hammersmith and Fulham and the Audit Commission, the local authority regulator, have filed with the House of Lords to overturn the appeal ruling. The case is due to be heard by the Lords, the UK's highest court, in October.

Losing out on E Europe sales

British industry is in danger of losing out to foreign competition in the big market

for environmental control equipment which is now opening up in the heavily polluted countries of Eastern Europe.

So far not a single British company has applied for space to show its wares at a big international environmental exhibition and conference to be held at Brno, Czechoslovakia in October.

This is in contrast with Austria, West Germany, Denmark, Switzerland, Italy, France, the Netherlands and Australia who have all booked space at the event which will be a showcase for companies competing in this new market.

In the past, government ministers have urged British industry to take advantage of the opportunities for export of environmental equipment.

The market is particularly promising in Eastern Europe where flagrant pollution occurred under the communist regimes and is only now being tackled.

More pay for teachers

At least six London education authorities are to pay all their teachers an extra £750 a year on top of national pay scales, in an attempt to tackle staff shortages.

Another three pay target supplements of the same size will be introduced next year and increasing by 3 per cent each following year, would be enough to deliver the target, according to calculations carried out by Dr Terry Barker of Cambridge Econometrics.

The moves, follow the report of the 1990 Interim Advisory Committee on Teachers' Pay which recommended discretionary settlements of £750 to teachers in the inner London area where shortages are most acute.

Meanwhile, Mr John

MacGregor, Education Secretary, in a speech before the Centre for the Study of Comprehensive Schools, pointedly refused to endorse moves urged by the right wing of the Tory Party that would get more schools out of local authority control.

IOD structures membership

The Institute of Directors (IOD) plans to segment its membership in a move which could help the smaller, private companies which make up the bulk of its 33,000 members.

The institute, which has in the past treated all its members alike, whether they were directors of publicly quoted multinationals or of small privately owned companies, now has four categories of member with differing needs, according to Mr Peter Morgan, director general. One possibility was the creation of an additional policy committee to deal with issues concerning private companies.

Scargill on Libyan ties

Mr Arthur Scargill, President of the National Union of Mineworkers, is expected to respond this week to a call from Mr Norman Willis, general secretary of the Trades Union Congress, to explain alleged approaches to Libya for aid during the 1984-85 miners' strike. An NUM executive sub-committee will also decide whether to take legal action to recover funds believed held abroad.



Costs of disposing of Britain's 100m tonnes a year of household and industrial waste are likely to rise substantially as a result of tougher environmental legislation, straining the finances of local authorities and companies. At present 90 per cent of the rubbish is buried in land dumps at an average cost of £10-20 a tonne. Many in Britain's 2600-a-year rubbish-disposal industry and organisations that produce waste believe disposal costs will rise by up to three times within the next five years.

Greenhouse gas

The Government's objective to stabilise emissions of carbon dioxide, the main greenhouse gas, by 2005 could be met at relatively little cost, according to Cambridge Econometrics, an economic research and consulting group.

A carbon tax of just 3 per cent introduced next year and increasing by 3 per cent each following year, would be enough to deliver the target, according to calculations carried out by Dr Terry Barker of Cambridge Econometrics.

Asprey robbery

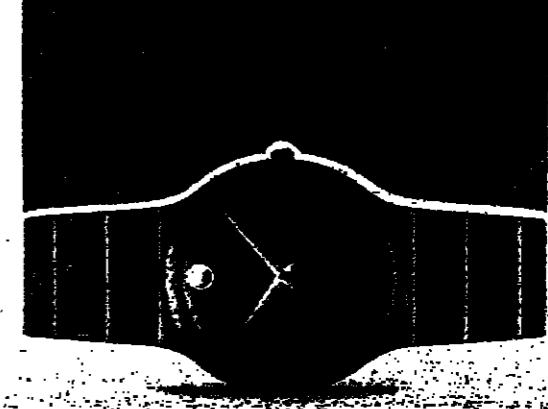
A diamond necklace, believed to be worth £425,000, was

stolen from the Queen's Jewellers, Asprey, after thieves used a lorry to ram a huge girder into the shop's window. It is the second time in a month that the New Bond Street jewellers, founded in 1781 and renowned as the gift shop of the Royal Family, has been robbed. Thieves took £1.8m of jewellery from a display case last week.

S Africa gold

Radem Group, the UK jewellery retailer, said that it intended to phase out all South African gold used in its jewellery. The company said this policy had been made for commercial reasons but it was hailed as a victory by anti-apartheid groups.

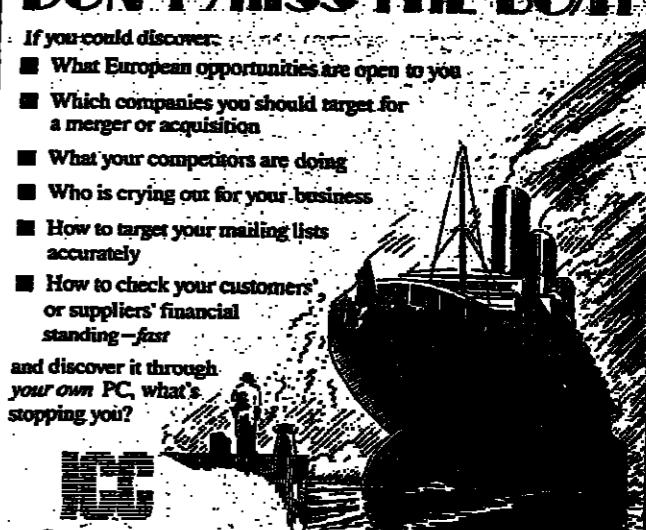
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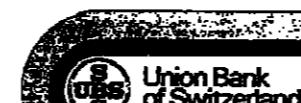
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UK NEWS

Laureates gather at the graveside

Rachel Johnson attends the bicentenary debate on Adam Smith

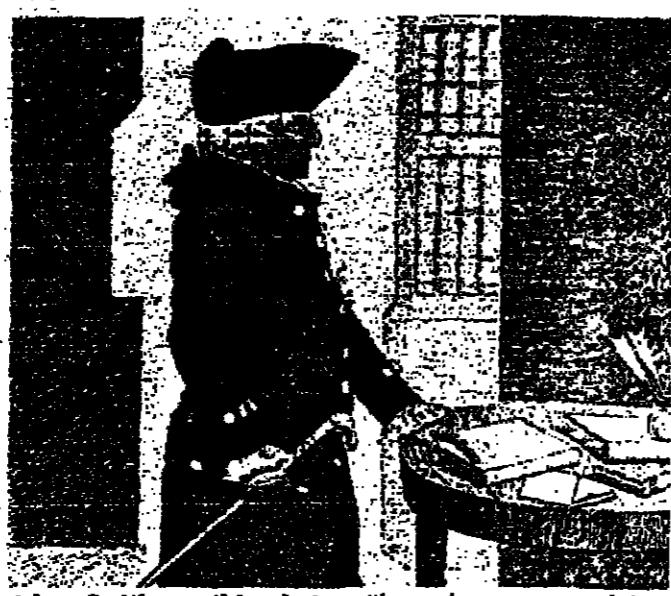
TONDAY, 10 elderly Nobel Laureates in economics will proceed to the grave of Adam Smith, the father of the free market, who died in Edinburgh, Scotland, exactly 200 years ago.

There should have been 11 but there were almost nine. Prof Paul Samuelson, who was to talk on the rediscovery of Adam Smith, was forbidden to travel by his doctor. Prof Franco Modigliani, was held up by the loss of his luggage during his transatlantic flight and was only tracked down at the last minute trying on tartans in a kilt outfitter.

In spite of the age and infirmity of the laureates, there has been some energetic picking over Smith's remains, during the high-powered proceedings in the bicentenary conference, as well as at his graveside this afternoon.

No laureate in the "dismal science" has failed to acknowledge the debt he owes to economics' founding father, nor the abiding relevance of his abiding belief in economic freedom.

The debate about how to honour the great man's death has been alive in Scotland for two years. Since the 1970s, interest in his work has revived and his ideas have been greeted as newly relevant amid the collapse of the totalitarian economies of the East. Given the pride of his work and the high regard of his ideas by both Left and Right-wing thinkers and politicians, the conference organisers decided to, as one put it, "pass the torch to the Nobel Laureates in economics themselves."



Adam Smith: anything but an "ivory tower economist"

Not only have they taken the torch: this conference has proved they are still vigorous enough to run the flame.

The prize-winning economists appeared eager to do two things in the time allotted to lecture the 300-strong audience from experience.

Having applauded these continuing virtues, Professor Maurice Allais, (Nobel 1988) decided that Smith was too much of a borrower of his predecessors' ideas to be considered the Founder of Political Economy.

In addition, he had but one guiding idea: that the free decentralised action of economic agents in a competitive system brings advantage.

Prof Modigliani, most famous for the work he co-authored on the consumption function with Mr Milton Fried-

man, and was made a Laureate in 1985 for his pioneering analyses of savings and the financial markets. Having dug out his dog-eared copy of the *Wealth of Nations* (first published 1776), Modigliani wondered anew how Smith could have got savings so wrong.

"He was a keen observer of people" - so how could he have failed to see that people in a growing economy accumulate savings and in a slowing one run them down? he asked.

Smith's fairmindedness did, however, take two hundred years to be appreciated fully by Sir Richard Stone (Laureate 1984).

Smith's four maxims of taxation, though unoriginal, were internationally respected. His concept of fair taxation was that everyone should contribute the same proportion of his income. The poll tax, therefore, was "improper" and, in Smith's words, typical of countries where "the ease, comfort and security of the inferior ranks of people is little attended to," Sir Richard said.

Given the illustrious company - never before have the economics Laureates been summoned together since the prize was instituted in 1969 - it was fitting that the present state of economic science should come in for analysis.

Prof Wassily Leontief set the tone. "At the time of Adam Smith's death economics was in a splendid state." Now, despite a prodigious output and oversupply of economists, the returns were diminishing, he suggested.

Adam Smith might have turned in his grave.

Ridley attacks idea of integrated Europe

By Andrew Marshall, Economics Staff

MR Nicholas Ridley, the UK Cabinet Minister who resigned at the weekend after a row over comments about Germany, today attacks the "windy nonsense" of European integration.

The former Secretary of State for Trade and Industry attacks the role of special interest groups in the EC in an article written before his resignation, for a book on Adam Smith, who died 200 years ago.

His controversial comments in an article in last week's

Spectator Magazine were also directed at Europe, and specifically the role of West Germany and the European Commission.

"Those who boast loudest about their good Europeanism are often those who have done the least to implement the single market directives, surely the key litmus test," he says.

The bulk of the article is a clearly written and intelligent explanation of Adam Smith's economic philosophy, its moral basis, and its relevance for modern Europe.

"It would indeed have been

helpful to have his pen at work in deflating some of the windy nonsense that is talked about Europe, in exposing the particular interests at work behind the slogans and in helping us to create a Europe where all citizens can pursue their own interests in a Community which is a genuinely free market."

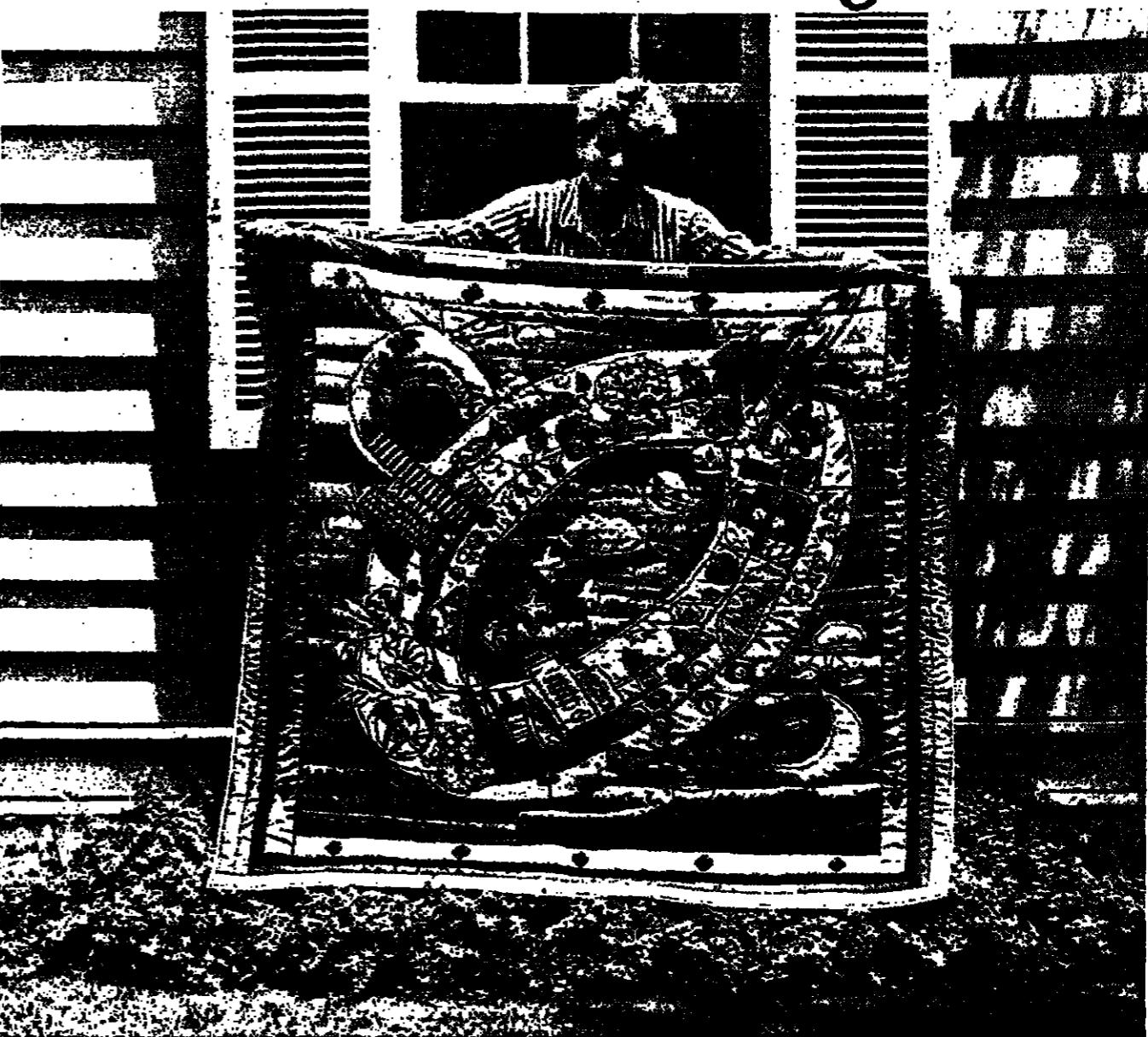
• *Adam Smith's Legacy: His thought in our time* (27.95), available from the Adam Smith Institute, PO Box 316, London SW1P 3DJ

It is also contains a thinly veiled attack on European federalists, socialists and those who would limit the role of markets in the European Community.

The economist "would have been amazed and depressed at the suggestion, seriously made by some leading British politicians, that we should sign over control of major instruments of macro-economic policy for political reasons," Mr Ridley says.

"It would indeed have been

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Drawn to work with metal

William Packer reviews two touring exhibitions at the Whitechapel, and a forthcoming show at the Pomeroy Purdy Gallery

The South Bank Centre's touring exhibition, now at the Whitechapel (until August 18, supported by the Henry Moore Foundation), of drawings and sculpture of the Spanish artist, Julio Gonzalez, is one of those shows that transform our critical understanding of their subjects' work. Gonzalez was born in 1876, some six years Picasso's senior and, like him, he migrated to Paris at the turn of the century. He was to live in France for the rest of his life.

He had served a short apprenticeship with his father, who was a goldsmith, but his early ambition lay as painter. The received wisdom is that it was Picasso who turned him towards sculpture, through their collaboration, at his instigation, in 1923. But Gonzalez had toyed with sculpture several times before, drawn to working with metal, perhaps, by the technical grounding he had picked up from his father. If Picasso wished to take advantage of his friend's technical expertise, Gonzalez was already inclined that way, needing only a push to make the full commitment.

As a technician, my help was clearly critical to Picasso in the realisation, on a larger scale and in a robust material, of current ideas and projects. But influence may run both ways, and that of Picasso's abstracted and surrealistic figures upon Gonzalez's own imagery at that time is obvious. To call Gonzalez thereby the father of modern welded metal sculpture is too simple, for if

he cleared the way in practical terms, Picasso had long been setting the imaginative pace in improvising his smaller sculpture out of whatever bits and pieces – metal, card, wire – that came to hand. Their joint demonstration was that Sculpture qua Sculpture need not entail the physical modelling of material, but could simply be cobbled together from given man.

But we can see from this show, which covers Gonzalez's short, late career as a sculptor until his death in 1942, that he was no mere sculptor, but a true artist in his own right and one more various than we had supposed. The surprise is to discover that it is the artist's underlying preoccupation with the human figure that brings all strands together into a creative whole. Beneath the archaeological gloss, with its emphasis upon innovation, originality, linear development and comparative standing, the artist we discover is a modeller after all.

His welded figures, attenuated, abstracted, totemic as they are, play their surreal and formal visual jokes with spirit and finesse, full of arcane and atmospheric suggestion and practical double-take, the sheet metal become a mask by the debt shift and fold across the surface. But here it is the work of another sort, more obviously figurative, that is the more intriguing. The more direct its reference, and thus the response it allows, the more profound it is. Beneath the mask of surrealism, familiar and expected, there lurks the

humane expressionist, the Gonzalez capable of beating, coaxing and modelling out of the raw iron an image of the human figure, as in the battered, fractured "Torso" of 1936, as deeply sympathetic of modern sculpture. Julio Gonzalez, friend and mentor of Picasso, Father of Modern Sculpture, remains after this exhibition no less the major artist but much more his own man.

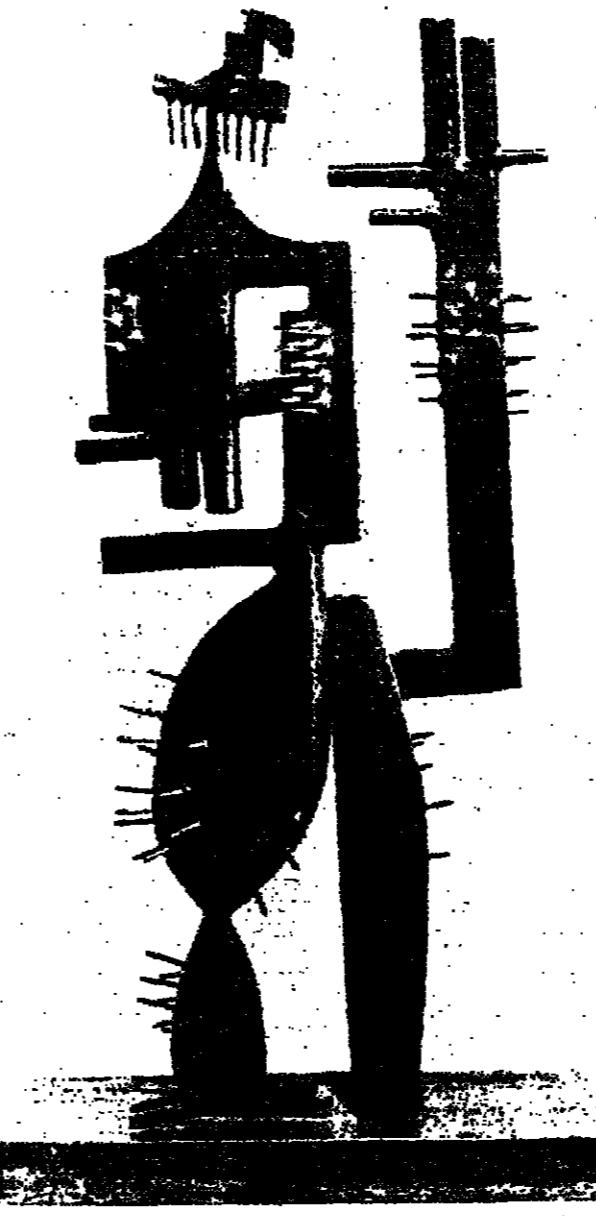
Concurrent in the Upper Gallery is a show of recent work by a young German sculptor, Harald Kriegelholzer. His elegantly composed piles and leaning heaps are contrived of assorted formal elements of glass, steel and cut and folded cardboard. Their material and formal qualities are intriguing, realised with a scrupulous precision, the cardboard especially interesting for being appropriated to such ends. And yet too often they seem arbitrary, ill-defined and unfocussed as works of art, as though they could be quite as well disposed in any other way, like spillings. We look at them with curiosity rather than imaginative engagement. Much reduced by rigorous self-editing, perhaps, and informed by less obtrusive material considerations, they might allow a more truly sculptural state to be made.

This Friday a show opens at the Pomeroy Purdy Gallery (Jacob Street, Finsbury Studios, Mill Street, SE1; until August 18) of the work of two young painters, Mary Maclean and

Helen Ireland. Miss Maclean I

remember from her graduation show at the Royal College two years ago, and from her brief turn as Artist of the Day at Flowers East last summer. Her work shows every sign of positive development, no less subtle and allusive in its surfaces and imagery but now so much more confident, authoritative, at ease with itself. There had been a conflict in the work, or at least a quality of uncertainty, between a remarkable facility of conventional draughtsmanship and an inclination towards abstraction. This has now been resolved. The objective reference remains but vestigially so, faint and washed out images of jawbones repeated serially and overlaid with formal elements, grids, squares and circles to create a shallow, almost archaeological space. The story her paintings tell, however, is that of their own making, veiled upon veil, layer upon layer of delicate paint, grey, white and pink, green and blue. They are very beautiful.

Miss Ireland's work is new to me, though she has shown since leaving Chelsea four years ago. It is both more assertive and more positively decorative than Miss Maclean's, rather after the way of Aboriginal painting, with dots and hatching and map-like, amorphous, totemic imagery. The paintings are rich and delicate on the surface, the imagery abstracted and unspecific, yet carrying all sorts of organic, even visceral suggestion. This too is fast-maturing and impressive work.



'Cactus Man 1', 1938, iron, by Julio Gonzalez

Knavery and a Midsummer Night's Dream

Anthony Curtis finds Molière and Shakespeare put into a contemporary context at Avignon

Two sombre notes disturb the serenity of this year's Avignon Festival which runs until August 1. The first is the recent death of Antoine Vitez, the Director whose panoramic productions at Avignon of neglected classics – notably *Celestina* and *Le Soulier de Satin* – in the courtyard of the Papal palace has been a memorable feature of the festival in recent years.

The other is a continuing concern over the question of funding. Although it is almost impossible for an ordinary member of the public to gain admission to any of the major theatrical events here without

booking well in advance, the cost of supporting the Festival can only partially be borne by the box office receipts, and, as at Edinburgh, it makes heavy inroads each year into the public spending budget of the city. In the past few years the Festival budget has been augmented more and more by sponsorship from industry, and financial institutions.

The quarry at Boulbon, for example, whose superb potential as a theatrical venue was discovered by Peter Brook, has since then remained in use for major productions involving live orchestras thanks to corporate sponsors. This year the Louis Vuitton Foundation is

sponsoring the French National Orchestra with Boulbon in a concert based on work by the poet René Char in the Papal palace. The current production at Boulbon, *A Midsummer Night's Dream* directed by Jérôme Savary, the work of the Théâtre Internationale de Châlons, has received substantial help from CLF (Crédit Local de France) and Calvet. The total amount received by the Festival from corporate sponsors this year has topped FFr 1.6m – representing 16.1 per cent of the total budget, up from 15.9 per cent in 1988.

The Festival director, Alain Crombez, is prepared to travel some way along the road

of Les Mécènes (as the French call these corporate sponsors) in order to keep the Festival alive; but not the whole distance of permitting them to become the main source of funding. Some of his colleagues are beginning to bridle even at this stage. It is not so much the presence on site of hospitality tents for the corporate guests that irks the more radical directors, but the threat they pose of an insidious influence on the programming – it would be a sad day if the visionary ambition of a Vitez prepared to keep the audience up all night in order to experience Clouet's masterpiece in its entirety, had to be curbed to conform to the sensibilities of a sponsor.

However, this year nothing of such magnitude in the area of European theatre has been attempted. Instead the aim has been to look again across the Channel at Shakespeare as a writer of comedies and at his French counterpart, Molière, to rehabilitate, or more fashionably put, to reconstruct, two of their best known works in a contemporary context.

The one which occupies the Cour d'Honneur is *Les Fourberies de Scapino (Scapino's Knavery)* directed by Jean-Pierre Vincent with the Company Manterre-Amandiers. The director takes Naples, the setting of Molière's farce, as implying not the elegant facades of the Renaissance, but a grotty back street, dominated by a Bernard Chartreux's setting by low roofs, open drains, a water butt and a garbage heap. This Beckett-like background serves as a foil for the traditional Italianate costumes and

mask worn by the two fathers (Jean-Paul Farré and Mario Gonzalez) whose avarice and selfish paternalism Scapino's strategies are ruthlessly aimed at overturning.

Daniel Auteuil's Scapino is a darkly introverted and highly-judgmental figure with more than a dash of naked sadism. The merry prankster, the agile balletic mime of Barrault in this role, is now a distant memory belonging to that unashamedly escapist era in France which is part of Post-War history. The quartet of young lovers are conceived here in a naively realistic mode with a certain exaggeration of passion and elation. This puts the burden of the play wholly on the older generation and on Scapino's vengeance. A broad farce becomes a black comedy. It is a grimly satisfying evening.

Jérôme Savary, whose lavishly extravagant *Le Songe d'une Nuit d'Été* had over Brook's chalk quarry is another director who likes to turn the received wisdom upside down. He sees the *Dream* as a sexual circus, an outlet for libido and machismo laced with illusion and magic. There was a marvellous gypsy circus performing at Boulbon last year, and when this version of Shakespeare's pastoral comedy austerely adapted to French by J.M. Déprat, started it seemed as if the gypsies were back complete with their caravans and washing lines. But it soon became clear that here were the familiar inhabitants of Theseus's court, only the royal master, as played by Régis Bouquet, had become a Romany boss and his bride-to-be Hippolyta (Valérie Vogt) a gypsy fortune teller. The brash leather-jacketed young folk turn up in their cars and bikes. The initial quarrel over who should marry whom takes place in a flurry of swearing blended with chords on the guitar.

At this point the washing lines are whisked away and we are confronted by a freshly created wood, a dense mass of green foliage against the craggy face of the quarry. It has a dark pool in the foreground into which obstreperous individuals may be dunked from time to time and it boasts a distant view of the Acropolis.

Possibilities in the text for illusion, not to mention crude stick-puppet, seem to have gone to the director's head. The rude mechanicals contain a dwarf and a Jewish tailor as well as Alain Alainstretton's obtusely uncontrollable Bottom. As if this was not enough those wielders of magic, Oberon (Bruno Raffaelli) and Puck (Maxime Lombard) are played as a comic music hall duo with Titania (Mona Hatke) as the pantomime Faerie Queen slowly rising above the ground in a mechanically operated crinoline, firecrackers, a tight-rope walk, a flame juggler, a ferocious crocodile and a chorus of diminutive faeries supplied by Les Enfants d'Avignon, are all stirred complete with their caravans and washing lines.

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Divisions in Poland

MOVEMENTS which initiate revolutions are historically difficult to shift. They tend to believe that they must remain to safeguard that which they have created. See, for example, the travails of the Communist Party of the Soviet Union. Although Mr Yeltsin's historic handing in of his party card is the beginning of its end, the Party has protected the "socialist choice" for 73 years and will wrap itself tightly round Soviet society for a while yet.

The phenomenon is not confined to those parties which have claimed to rule in the name of history. In Poland, the movement which finally, over a decade, brought the Poles liberation is now in danger of inhibiting the change it had once precipitated. Professor Jan Winiecki, the liberal economist, has termed this the "Mexicanisation" of Polish politics, on the analogy of that country's institutional revolution.

Re-enter, stage right (it seems) Mr Lech Wałęsa, limbering up to topple another power structure. Mr Wałęsa has evidently been feeling sidelined in Gdańsk as his former advisers take over ministerial and other offices in Warsaw, and as another former dissident, Mr Vaclav Havel, takes on the presidency in Czechoslovakia. Mr Wałęsa has made it clear that he wants the Polish presidency. This is still occupied by General Wojciech Jaruzelski, who owes his post to the round table accords of a year ago, when the then opposition assumed that he was needed to reassure the Soviet Union that their interests would be recognised by one of their own.

Centre Alliance

Mr Wałęsa has also created a group, the Centre Alliance, which might be the germ of a future party. He says the country now needs properly differentiated parties to test themselves before the people in elections, which he wants put forward to this autumn or perhaps next spring.

It must be said he has been incoherent, sometimes alarmingly authoritarian, in his actions, dividing his criticisms of the Government between comments that it is going too slowly on economic reform and that it is hurting the people too.

Lack of vision in education

CRITICS allege that Mr John MacGregor, the Education Secretary, is failing to maintain the momentum of the educational reforms launched by Mr Kenneth Baker in 1988. They worry that little has come of the plan to create a network of industrially-funded City Technology Colleges (CTCs) and that comparatively few schools are choosing to opt out of local authority control. There is also concern about the scaling back of plans to assess achievement under the National Curriculum. The 1988 legislation, in short, is proving a damp squib.

Mr MacGregor yesterday defended his record, stressing his commitment to greater parental choice. CTCs, he said, were "beacons of excellence" in inner city areas while grant-maintained schools (those that have opted out of local authority control) are the "jewel in the crown" of parental power.

The rhetoric, however, was not backed by much evidence of solid achievement. There are only three CTCs in operation with another four scheduled to open this September. This handful of institutions will have a negligible impact on technical and vocational education, even in inner city areas. Independent experts, such as Professor Sir Prais of the National Institute of Economic and Social Research, have argued that the UK needs around 2,000 such schools to begin to address the post-war bias against technical education.

The opting out initiative also appears to be enjoying a slow start. So far only 29 state schools have opted for "grant-maintained" status or direct funding from Whitehall. By September, says Mr MacGregor, there will be 44 with a total of 30,000 pupils - a drop in the educational ocean. There seems little immediate prospect of a mass defection of schools from the local authority sector.

Effusive praise

Mr MacGregor heaped effusive praise on the National Curriculum, which he expects to underwrite a jump in educational standards in the coming decade. Yet his description of what is required of the average 16 year old will alarm his

much. His behaviour has saddened and angered his former close colleagues, one of whom - Mr Adam Michnik, the dissident historian who now edits the Solidarity daily *Gazeta Wyborcza* - has accused him of wishing to be a dictator on the model of Marshall Pilsudski, the pre-war President.

Further, there is a perfectly good argument against the precipitate move to democracy. Though the macroeconomic reforms instituted by the government of Mr Tadeusz Mazięcki have established a disciplined monetary framework, there is a much higher hill still to climb in privatising an economy in which most enterprises of any size remain in the hands of the nomenklatura.

Solidarity umbrella

While this labour of turning over at least half of the economy to the citizenry, and establishing an entrepreneurial and professional class with different instincts and behaviour, remains undone, it is arguable that the umbrella of Solidarity is necessary to provide some political stability and protection to the thin stratum of politicians and technocrats who are slaving away at reform.

But the contrary argument is more powerful. The fears that Poland will sink into political fragmentation and thus dictatorship ignore the fact that the international climate is inimical to such an outcome.

Marshall Pilsudski, an unconvincing dictator, was surrounded by much more efficient examples of the breed: the chances of running interwar Poland on Westminster lines were vanishingly small.

Now, by contrast, the effects of taking an authoritarian line - as the Romanian Government is discovering - are likely to be disastrous for an economy so dependent on western goodwill.

Thus if Mr Wałęsa were to replace President Jaruzelski, and if parties were to vie for power in an open way, a more probable outcome would be underpinned by a popular mandate. Without that mandate, reform is in danger of being stalled. Mr Wałęsa's tactics are rude and rough - but his instincts remain sound.

The use of satellites to receive television broadcasts and to carry international phone calls is well known. But what is not widely known is that two-way satellite dishes, which are small enough to put on a roof, are now available.

These dishes, known as very small aperture terminals or VSATs for short, may seem big and costly by comparison with the one-way dishes used for satellite television. But, measuring 1.8 metres in diameter and costing under \$10,000 each, they are a great leap forward from the 15-metre dishes costing millions of dollars which are used by the world's telephone companies to carry international calls.

VSATs have the potential to cause a revolution in communications by bringing satellite links direct into business premises. They could give companies control over the way they communicate, releasing them from the constraint of having to deal with the phone companies.

Instead of having to wait several weeks before lines are installed, businesses could shift dishes from one office to another in a day. And should anything happen to the phone company's systems - such as the software glitch which put American Telephone & Telegraph's network out of order for a day earlier this year - who would know they could still communicate.

The technology is especially useful in the international arena. The difficulties businesses face in setting up private networks spanning several countries are immense and the prices of cross-border calls are kept at excessive levels because of cartel practices between the world's phone companies. By putting two-way satellite dishes on the roofs of its buildings worldwide, a company could reduce the need to deal with the cartel.

But scour the world for VSATs and, except in North America, you will be lucky to find any. According to Mr Simon Bull, a director of Comsys, a London satellite communications consultancy, there are 22,000 two-way dishes installed around the world, 95 per cent of them in the US and Canada, where systems of more than 1,000 dishes are becoming commonplace. The whole of Europe has only 500.

The explanation for the discrepancy is that, while the US has encouraged an "open skies" policy in satellite communications, most phone companies and the governments which usually own them have tried to strangle the new technology at birth. Even the US policy does not apply fully to international communications.

"Since we introduced open skies in the US, we have seen prices coming down and innovation sky-rocketing. That kind of benefit to consumers is possible internationally," says Mr Richard Firestone, head of the Federal Communications Commission's consumer bureau.

It is easy to see why other countries have been slow to follow suit. Businesses may see VSATs as a way of liberating themselves from the phone companies. But from the phone companies' perspective, rooftop-to-rooftop satellite communications are a dangerous technology which threatens to bypass their monopoly positions.

To provide satellite communications, two pieces of technology are needed: the satellite itself, known as the space segment; and the dishes or "earth segment". The phone companies' attempts to frustrate private satellite communications have consisted of a campaign to maintain their monopolies in both segments.

At the space segment level, the phone companies conduct their international communications through a series of jointly owned clubs: Intelsat, the international satellite organisation; Iriatec, the international maritime satellite group; and Eutelsat, the European satellite company.

There are few restrictions on sat-

Hugo Dixon on new satellite technology that is a victim of worldwide restrictions

Why the open skies stay closed

lites which are limited to television broadcasting or which serve just one national market. But the treaty establishing Intelsat gives it the right to vet any new satellite carrying international calls which it believes would cause it "significant economic harm".

Intelsat has used this clause known as 14d, to delay the launch of private satellite systems - the best known of which are Pan American Satellite and Orion, both of the US. These private systems only obtained permission to launch after submitting full details of their plans to their competitor, Intelsat, and after the US Government lobbied Intelsat on their behalf. PanAmSat has been in the sky since 1988, due largely to the fact that Mr René Anselmo, its chairman, was prepared to risk \$50m of his own cash on the project. Orion, which has had problems putting together finance for a larger \$400m system, is not due to be ready for service until 1993.

In a \$1.5bn anti-trust suit which is in its preliminary stages, PanAmSat alleges that Comsat, Intelsat's US shareholder, has committed a series of anti-competitive acts to block its entry into the market. Intelsat strenuously denies this.

Even after being authorised by Intelsat, private satellites do not have an easy run. The US government prohibits them from carrying traffic connected to the public phone network, denying them access to about 80 per cent of Intelsat's market.

Moreover, just because a system is clean, as Intelsat does not mean that it can automatically offer its services. PanAmSat complains that the phone companies, which usually have monopolies over satellite transmissions from their countries, have frustrated its progress.

"Since we introduced open skies in the US, we have seen prices coming down and innovation sky-rocketing. That kind of benefit to consumers is possible internationally"

"It takes forever. Fair play hardly enters into the discussions we have," claims Mr Fred Landman, PanAmSat's president.

In the earth segment, there are a whole raft of other controls designed to stop competition.

In most countries, nobody except the phone company is allowed to own and operate a two-way satellite dish. With the exception of the US, in the few countries where competition is allowed it is so hemmed in by regulatory restrictions that the market has taken off.

In the UK, apart from British Telecom and Mercury Communications, only seven companies have been given licences to operate satellite communications. Moreover, they are restricted to providing one-way services and can only communicate within Europe.

In West Germany, anybody can operate VSATs, but unless they obtain special licences, they are limited to carrying data at the speed of 15 kilobits a second - so slow that they cannot be used for phone calls.

On top of this, users cannot negotiate directly with Intelsat and Eutelsat for use of the space segment, but have to go through their phone companies which normally add on a hefty mark-up.

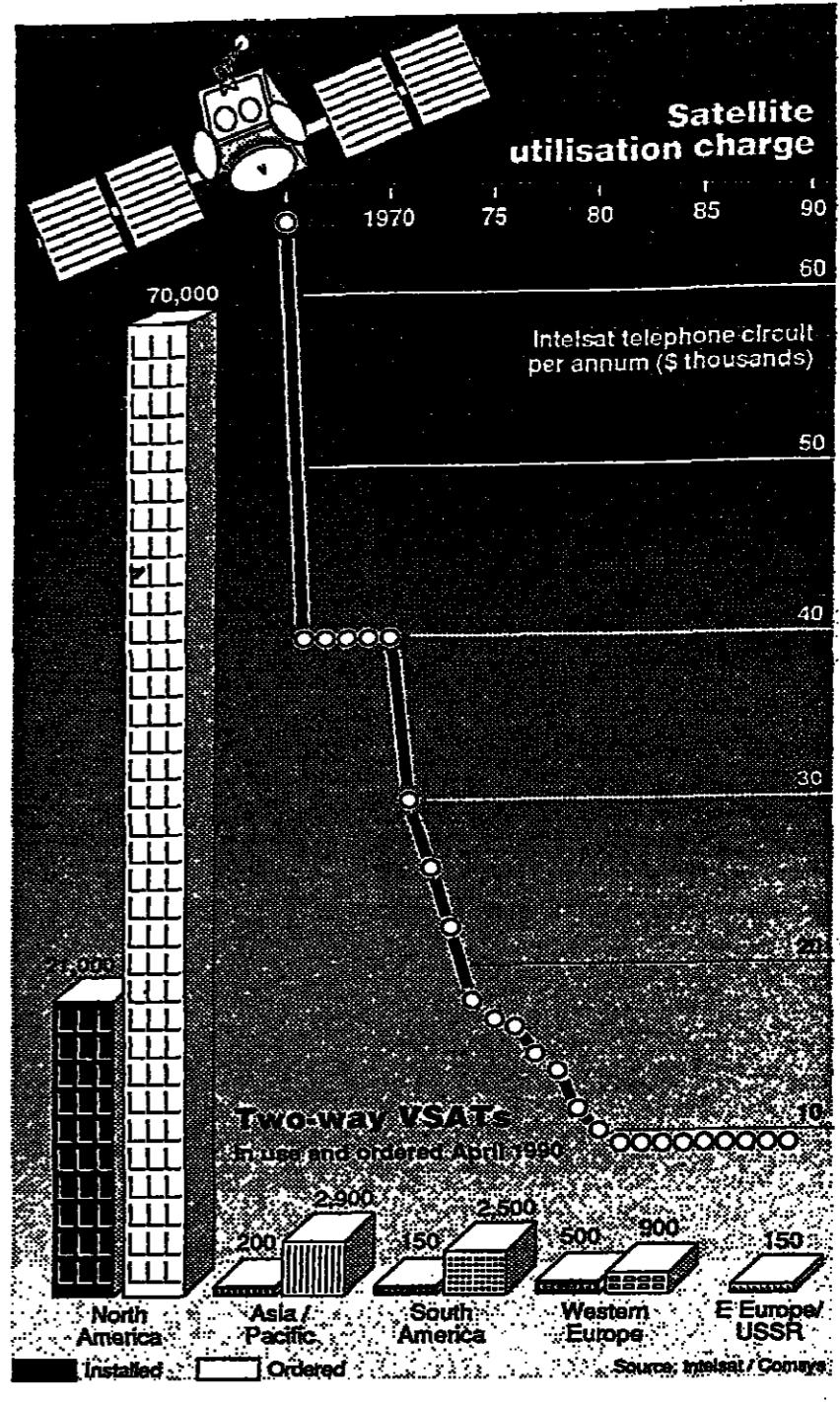
A free market in private satellite communications could provide two main benefits to the world economy.

First, it would allow the provision of services where satellite technology has a competitive edge over conventional terrestrial communication networks.

Mr Roger Staryard, editor of Inter-space, a UK satellite magazine, argues that the technology is ideal in any business which needs to communicate with a large number of sites - for example, a retailing group which needs to keep in contact with its stores to know how stock is moving or a car manufacturer which wants to co-ordinate delivery of components from its suppliers and keep its distributors up to date on new models.

VSATs are also ideal where there are geographical barriers, such as mountains, or the local network is undeveloped. According to a forthcoming report from Comsys, West German banks opening offices in East Germany are queuing up for VSATs because there is no other satisfactory way to communicate between the two halves of the country.

The second way that private satellite communications could be economically beneficial is by forcing the international phone cartel to charge fair prices for its services.



VSATs for ordinary conversations could be attractive. Users would pay a high upfront cost but would then benefit from substantially lower prices.

This, in turn, would put pressure on the phone companies to drop their international prices or risk losing their customers.

The restrictions on satellite communications are not set in stone. Three initiatives which could lead to a significant liberalisation of the market are coming to the boil later this year.

First, the European Commission is holding a meeting today with member states to discuss a consultative document on freeing satellite communications. Because of the need to balance conservative and liberal views within the Community, the Commission has stopped short of advocating a totally open skies policy. It is taking a middle road, attempting to promote the use of satellite communications for private networks while protecting the public networks' monopolies over the basic phone service.

Second, PanAmSat will later this week ask the US government to end its ban on international private satellites providing services connected to the public network. It believes the restriction is against the public interest.

Finally, Intelsat's 14d clause is due

to be reviewed at a meeting of the organisation's general assembly in October. Intelsat seems prepared not to apply the clause to private systems which are not connected to the public network, but is adamant that it should still have the right to vet any

competitors who wish to provide services which are.

Mr David Tudge, Intelsat's deputy director-general, argues that competitors would "cream off" the most profitable traffic from the Third World, where prices would, therefore, go up.

Others dispute this. PanAmSat says three-quarters of its capacity is devoted to Latin America. "In Peru and Chile, there is rural telephone because they use PanAmSat," says Mr Henry Goldberg, a Washington DC lawyer who acts for the company.

Meanwhile, the FCC's Mr Firestone argues that Intelsat is financially strong enough to meet the competition. "We don't think Intelsat is in danger of significant economic harm."

And Inter-space's Mr Staryard says Intelsat's satellites are much too sophisticated for the developing world's needs and that cheaper systems could be built.

"It is too early to say how these regulatory questions will be resolved. However, there is a danger that the tussle between monopolists and free marketeers will result in an unsatisfactory compromise which opens up a small chink in but reinforces monopolies over the bulk of the market."

If private satellite companies continue to be prevented from providing basic phone services or connecting to the public network, the phone companies will rejoice. But business users will continue to derive the benefits of cheaper and more flexible communications that satellite technology could bring.

Germany's allies

London echoed yesterday to the busy sound of nails being hammered into Nicholas Ridley's coffin. One was charitably driven home by Mr Stefan Graf Bethlen, deputy President of the ruling Hungarian Democratic Forum and chairman of the parliamentary commission for investigation.

Stressing the inviolability of British political arcade, he said that - as a central European country trying to rediscover a lost national identity at the same time as being directed in the path of the advancing D-Mark - Hungary was not in the least embarrassed, and had been proud to contribute to the joining of the two Germanies (through providing an escape route for East Germans last year, before the Wall came down).

"We have no problems with German influence in middle Europe," he told Observer. "In an economic sense, Germany is so highly involved in the European Community that it is unimaginable that it will act against the Community's interests. Everyone has the same vote in the Council of Ministers - and so we just can't see how Germany can dominate Europe militarily, or economically."

There is perhaps a lesson in this for Mr MacGregor's critics. The drive to improve school-industry links was launched by Lord Young while at the Manpower Services Commission in the early 1980s. It is not surprising that the policy, which was initially ridiculed, has taken about a decade to produce results: lead times in education are long. This suggests that the right time to assess more recent reforms will be the turn of the century; only then will it be possible to judge the long-term significance of policies such as opting out and the National Curriculum.

In the meantime, the more important criticism of Mr MacGregor is that he is failing to address crucial issues, such as 16-19 education, which were largely ignored by Mr Baker. It is not enough to implement yesterday's reforms; the Education Secretary must also build on the work of his predecessors.

Old money

The Miller family of Columbus, Indiana, were hailed as heroes a year ago when they rescued Cummins from the clutches of its latest corporate predator by buying back Han-

OBSERVER



"I've got the angst, aggressiveness, and sententiousness, but none of the economic clout."

The Millers are taking \$67m in cash, plus common shares worth \$31.2m, giving them a 36 per cent annual return which is a handsome profit even by the standards of Wall Street wheeler-dealers, like Kohlberg Kravis Roberts.

Black market

Brazilian businessmen have a reputation for finding a way round anything, and it has not taken them long to discover how to make a killing from the wave of kidnappings which has hit Rio de Janeiro in recent months. Roberto Medina, a leading publicity guru, was released last month after 15 days in captivity, supposedly for a \$4m ransom. To pay it his family was allowed to buy the whole sum at the official rate of 65 cruzeiros per dollar, some 280 million cruzeiros.

However one of the kidnappers has since called the Central Bank, in an act of "good citizenship", to complain that unless an uncompleted questionnaire is returned, the recipient business will appear in the directory and be charged

■ There are at least eight bogus fax directory scams operating in Europe at present, but the latest looks particularly clever and intimidating. A Hamburg company purporting to publish something called the TVV International Teletex Directory has bombarded thousands of British companies with invoices for entries and questionnaires about their businesses.

Most scams work in the hope that the "Invoice" will slip through an unsuspecting accounts department, but this one's small print says that unless an uncompleted questionnaire is returned, the recipient business will appear in the directory and be charged

Black market

In the black market at \$9 cruzeiros, thus recouping 134 million cruzeiros. The Central Bank is now asking for its \$1.5m back and investigating

LETTERS

The alarming prospect of fee-free privatisation

From Mr Richard Lucas

Sir: Professors Layard and Blanchard ("Making it safe for capitalism," July 11) argue effectively for a free transfer of state-owned assets to all the citizens of eastern European countries.

This excellent idea is very dangerous for its simplicity and efficiency, which would mean that the day of "virtually fee-free" privatisation had arrived, with disastrous consequences for all those who work in this uniquely successful and strategically important British sector. Such a free transfer would render unnecessary:

• All that tricky valuation

work – as it would be carried out by the market.

• Those lucrative underwriting fees – How could a free transfer fail?

• The complex administration of share allocations – which could be managed by an information-technology-literate graduate with access to voters' rolls and birth certificates.

Further this dangerous idea would certainly be contagious among Layard and Blanchard's arguments hold for advanced, middle income or poor countries, whether capitalist or not.

The political popularity of the hand-out and the distribution

of equalitarianism of equal shares would undermine left-wing and right-wing opposition. Free transfer privatisation would be preferable to the existing British model to all except Treasuries, whose interests could be safely ignored.

In case I have been over-alarmed, let me reassure at least one vulnerable group, namely lawyers. The existing ownership of eastern Europe industries is still uncertain, and needs to be established, whether shares are given away or sold. Therefore lawyers are for the time being quite safe from the menace of Blanchard and Layard.

Richard Lucas
PA Cambridge Economic
Consultants
62-64 Hills Road,
Cambridge

The proper duties of non-executive directors

From Mr F.S. Law

Sir: The role of the non-executive director, together with that of the institutional shareholder, has been debated often over the past few years. The frequency of the debate proves the importance of the subject as well as being an admission that no final solution has yet been found.

I do not believe that the German system, where banks and institutions are shareholders and designate members to a supervisory board, can be the panacea in the UK, where we have no supervisory boards.

However, I do believe that the role of the non-executive is important, depending of course on the quality of the non-executive and the time he is willing

to give to the task. His experience as a full-time executive in other companies should allow him to pass this experience on to the board, thus making a real contribution.

The non-executive should be willing to serve both on the compensation and the audit committees.

The non-executive directors should be made aware of their duties and fiduciary obligations on appointment. Executive directors should be encouraged to accept, if offered, at least one non-executive board membership, thus creating a cross-fertilisation throughout British industry.

Lastly, I must disagree with a comment made by Simon Holbourn ("Why the ideal

board remains so elusive," July 4) when he says that the non-executive directors are able to do little more than ask questions.

It is in my view their duty to get involved by visiting plants and overseas companies. They should attempt to get to know the middle management and try to learn as much as possible about the products. They should certainly be involved in the fashioning of the corporate plan and be consulted about all strategic issues. They must, however, in all cases retain their financial independence so that advice and judgment are never swayed by financial considerations.

F.S. Law,
43 Lennox Gardens, SW1

Seeking a broader-based more rounded education

From Mr Richard Pearson

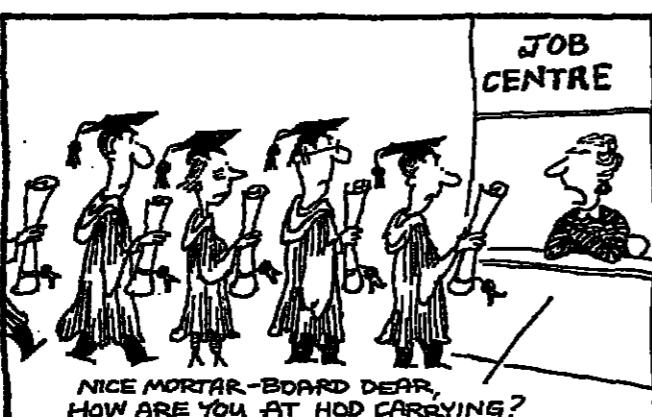
Sir: James Murphy (Letters, June 26) suggests that the reason we expect to see graduate unemployment starting to reappear this year is because we are over-educating our workforce.

It is true that we are not using our recently educated graduates well. I would suggest that the problem lies not with the level at which they are studying, rather it lies more with what they are taught both within the schools and in higher education, as well as their own aspirations that jobs are available regardless of their competencies.

UK graduates are often the product of a narrow and elitist system of education, which has only limited objectives as to the breadth of the education offered. This benefits neither those progressing through higher education, nor the less academically able who have had to follow a watered down version of the academic syllabus in the schools.

Until we have a secondary system which produces broader-based and more roundedly educated pupils we will remain with not only too many narrowly educated and potentially under-utilised graduates, but also with too many under-educated school-leavers. The National Curriculum will, if implemented effectively, be a key building block for the future; we then have to deal with the narrowness of the A level focus.

Richard Pearson,
Deputy Director,
Institute of Manpower Studies,
University of Sussex,
Brighton



Our employers would have to increase their spending on training three times to match the outlay of our competitors. Training is a long-term investment and the short-term financial system works so strongly against it that government exhortations and the best endeavours of the Training and Enterprise Councils cannot possibly achieve this 200 per cent improvement.

The answer has to lie within the school system. The General Certificate of Secondary Education, the National Curriculum and the development of records of achievement are all major steps to improve the education of the majority of children, but these developments are concentrated on the years up to 16. It is in the treatment of the 16 to 18-year-olds that the major national problem lies.

We have become locked in to the highly specialised and narrow A levels, geared for the small group of academic students in the top 15 per cent of the ability range. It is not even good for them as it has resulted in the two cultures described by C.P. Snow. Worse still, the limiting effect of subject options taken in the middle of puberty restricts subsequent career choice. It has made nonsense of any attempt to switch more of our higher education system to engineering and vocational courses.

The Government turned down the Higginson Report two years ago because of fears that quality would suffer if A levels were abolished. There is a ready-made solution in the well-established International

Baccalaureate, which could completely replace A levels within two years. The standard is high and it is accepted by many of our universities and polytechnics. Our students too would benefit with access to European universities.

The middle stream of children, many of whom have been turned off by the narrow intellectual structure of current school education, should now be offered Business and Technical Education Council (BTEC) awards in the sixth form. These First and National Diplomas should be combined with training in industry and commerce to lead to national vocational qualifications.

The First City Technology College, Kingshurst, is taking the lead, and next September will start its BTEC sixth form.

It plans that the students on the BTEC courses will spend three months each year with a local employer. This initiative could be extended nationally, with relatively modest funding for the training period in industry and commerce.

Kingshurst is not touching A levels and its top stream will take the International Baccalaureate. The school is convinced that there is a satisfactory overlap between the two streams. Many students now go on to universities and polytechnics with BTEC qualifications.

There is a clear route forward to revitalise our education system in support of a long-term industrial revival.

Kenneth Miller,
4 Montrose Gardens,
Crickhowell,
Leatherhead, Surrey

always have been multinational, multi-cultural and multi-lingual. Now our burgundy passports and pink driver's licences, and the removal of customs posts and passport control, signify the end of a particular view of territorial sovereignty.

But if we now agree that political powers are located in different places, at different levels, with different centres of power and competencies, rather than being mythically located in one sovereign or state apparatus in one capital city, then the question of appropriate levels of powers, their centring and decentring, arises. What are the appropriate building blocks for the developing European federations. In selecting the Council of Ministers, David Martin and others will perpetuate the status quo, and the role of the member state government.

Mr Mortimer is also absolutely right to emphasise the mythic nature of "national sovereignty" and the principle of "subsidiarity." But in going beyond the nation state, I think we ought to look at possible options in a more radical light.

After all, nation states themselves were seldom called "national" in either cultural, or ethnic terms. All European "nation states" with the possible exception of Iceland,

I started by writing "is there a German problem?", but then realised I would lay myself open to more of the opprobrium already heaped not only on Mr Nicholas Ridley but on Mrs Margaret Thatcher, her adviser Mr Charles Powell, and the hapless "experts" who accepted invitations to lunch at Chequers on Sunday March 24.

Clearly that lunch was not a purely social occasion. The experts, British and American alike, obviously knew they had been invited to have their brains picked by a prime minister who later that week was to play host to the German Federal Chancellor. They must have expected that some sort of note would be drawn up for her benefit summarising the main points covered in the discussion. They cannot have expected (any more than she or Mr Powell presumably did) that this note would be published, along with their names, within four months of the event.

Instinctively, like almost all journalists, I am on the side of leakers. Two of the things that make people take up journalism are a desire to know what is actually going on and a belief that democracy works better when that knowledge is shared with the public.

Yet he does not deny that, when asked whether his views were coloured by memory of the Second World War, he replied, "Jolly good thing too. About time somebody said that. It was pretty nasty. Only two months ago I was in Auschwitz, Poland. Next week I'm in Czechoslovakia. You ask them what they think about the Second World War. It's use-

ful to remember."

The fact is that people's attitudes to Germany are coloured by whatever they know or remember of the Nazi period. That applies not only to Mr Ridley, not only to people in Britain, and not only to members of his generation. In fact it probably applies as much to young people in Germany as to us. Last night on March 15, on election night in East Berlin, I saw young protesters (supporters, I think, of the renovated and renamed but still defeated ex-Communist Party) invade the Palace of the Republic which had been taken over as a press and television centre waving a banner with the words "Niede wieder Deutschland" inscribed on it.

By "horror" I mean of course the combination of aggressive war with the systematic annihilation of millions of human beings chosen purely on the

FOREIGN AFFAIRS

Defining a British problem

Edward Mortimer on good and bad reasons for angst about Germany

basis of their birth, without even a pretence of concern for any act, or even any thought, for which they might be held personally responsible.

By "unique" I allude to the fact that this programme was carried out not by a primitive or backward people in a fit of uncontrolled bestiality, but by a people widely considered the most advanced and civilised in Europe, using advanced technology and ruthlessly efficient organisation. Inevitably Germans and non-Germans alike have asked themselves, and still do, whether there was some unique combination of cultural characteristics, broadly and crudely resumable in the phrase "national character", which made such behaviour possible.

No one thought it inappropriate last year, on the 50th anniversary of the outbreak of war, that the features editor of this newspaper should ask me, or that I should agree, to examine the question "could it happen all over again?" Should anyone be surprised that the same question was in the back of the minds of Mrs Thatcher and her advisers during last winter, when the world suddenly discovered that German unity, instead of being a legitimate dream attainable only in the distant future if at all, was a matter of imminent hard fact?

Their conclusions on that point seem in fact to have been broadly similar to mine: today's Germany is not a military threat to anyone. Its economic success, combined with democratic institutions now being extended to all of its people, is something about which "far from being agitated, we ought to be pleased".

Past Anglo-German antagonisms, they went on to say, "had been injurious to Europe as a whole and must not be allowed to revive". Yet in spite of this Mr Powell felt obliged to end on a note of "unease", not explained, about "what might lie further down the road than we can yet see".

It is here, perhaps, that we touch on the heart of the British problem. What Britain has discovered in the last year is that 10 years of Thatcherism have not after all halted, let alone reversed, its relative decline as a political and economic power. German unity and the liberation of eastern Europe pushed Britain further to the periphery. Unable to compete with the Germans, Britain insists on treating their generous offer of collaboration in a common enterprise as if it were a new attempt at conquest. We are suffering from a bad bout of national angst.

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COMPANIES & MARKETS

• THE FINANCIAL TIMES LIMITED 1990

Tuesday July 17 1990

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INSIDE

Gloom dominates US bank results

Second-quarter net profits at Chase Manhattan tumbled by 62 per cent to \$22m as the bank disclosed \$225m of loan loss provisions related to the real estate crisis, a \$75m increase year-on-year. Yesterday, also saw flat earnings from J.P. Morgan and gloomy results from First Chicago Bank. Only the Los Angeles-based Security Pacific, bolstered by the strength of the California and Washington state economies, provided a bit of cheer for the banking community with a 2.6 per cent rise in net income. Page 24

Unexpected property boost

A bigger than expected contribution from property helped Triplex Lloyd, the diversified laundry and building products group, to increase its earnings per share by 6.3 per cent for the year to March 31. The group also announced a management reshuffle – its chairman Lewis Robertson (left) is to step down after seeing through the group's formation in 1987 from the merger of two Midlands steel foundry businesses. Page 25

Politics discourses: South African gold

Politics has cast a long shadow over South African gold mining. The threat of nationalisation by a post-apartheid ANC government hangs heavy in the air and labour disruption has hit much of the industry, partly the result of heightened political expectations following the release of Mr Nelson Mandela. Patti Waldmire reports from Anglo American's Vaal Reefs gold mine, one of the world's largest mines, which is hoping that improvements to management will spur productivity and overcome the effects of the depressed gold price. Page 25

Dutch merger under way

The formation of Europe's sixth largest bank gets properly under way today as shareholders of the Netherlands two largest banks, Algemene Bank Nederland (ABN) and Amsterdam-Rotterdam Bank (Amro) are given their first opportunity to exchange their existing

shares for shares in a new holding company, ABN-Amro. The merger will go ahead if at least 90 per cent of shareholders tender their shares by the time the offer expires on August 17. Page 24

Evode advances by 61%
Evode, the UK plastics and chemicals company, headed by Andrew Simon (left), yesterday announced a 61 per cent increase in interim pre-tax profits. This was offset, however, by an 18 per cent decrease in earnings per share reflecting the doubling of the company's size last summer when it acquired Chamberlain Phipps, the shoe components and adhesives concern. Page 23

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Chief price changes yesterday

FRANKFURT (DM)			
Beiersdorf	572	+	28
Lehrer	840	+	20
Mercedes-Benz	920	+	23
Pfleiderer	222	-	5
Reckitt (Fr.)	222	-	6
Industriever	260	-	5
Volkswagen	522	-	125
Westfalia (VW)	541	+	3
Citroen Eng	522	+	1
IBM	122	+	1
J.P. Morgan	374	+	12
Tatton Fund	204	+	14
United Tech	603	+	14
Pfleiderer	522	-	125
Flir Mabro W.	522	-	125
New York prices at 12.30pm.			
LONDON (Pence)			
Alcan	505	+	8
Angus	223	+	6
BMA	204	+	6
Brennan	410	+	17
Commodore	373	+	15
Data Group	393	+	8
GEC	204	+	4
Hawthorn	204	+	4
Micro Focus	228	+	8
Ordinari	228	+	25
Reuter	1814	+	42
Tankers	228	+	9
Unilever	714	+	17
Westfalia	553	+	15
Witco	405	+	5
ICL	1169	+	9
Pitney Bowes	80	-	32
Stone & Webster	21	-	9
Wellcome	565	-	8

• THE FINANCIAL TIMES LIMITED 1990

Three companies buy 27% Cummins stake

By Roderick Oram in New York

CUMMINS Engine, the world's largest independent maker of diesel engines, has agreed to sell 27 per cent of its equity to Ford Motor and Tenneco of the US and Kubota of Japan.

The deal, for \$350m (£140m), will diversity Cummins' customer base and strengthen its balance sheet.

The link with Kubota, a leading tractor and engine maker, is especially important. Cummins says it is "only the beginning of a broad strategic alliance." The two companies already have one small joint venture on generators, but will now discuss, for example, making Kubota-designed engines for the European market at Cummins' UK plant.

Closer relations with a Japanese company comes only six years after Mr Henry Schacht, Cummins' chairman, bet the company's future on keeping Japanese competitors out of his home market. He slashed prices by 40 per cent, preventing

importers from gaining a toe-hold but severely weakening the company's finances.

The new investors will provide the "patient capital" for which Mr Schacht has searched for years. An outspoken critic of Wall Street's focus on short-term results, he has tested shareholder loyalty by failing to achieve sustained profits from his transformation of the company. It lost \$6.1m last year on sales of \$3.5bn.

Ford will take a 10.8 per cent stake in Cummins by buying, for \$100m, 1.6m shares at \$62.50 (\$34.76) each, a 22 per cent premium on Friday's closing price. The deal allows Ford to increase its stake to 20 per cent.

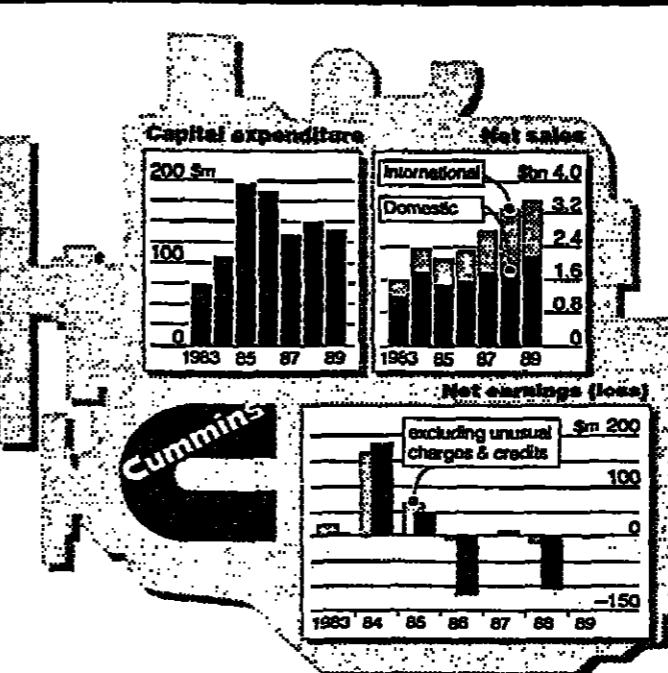
Tenneco, the Houston-based energy group which is also a leading maker of farm and construction machinery, will make a similar \$100m investment, with a ceiling of 10.8 per cent. Kubota will take a 5.4 per cent stake, for \$50m. The three purchases will

increase Cummins' common shares outstanding by about 45 per cent, to 14.8m. Cummins said it will use almost \$200m of the cash infusion to reduce its debt to 27 per cent of total capital from 44 per cent, saving some \$18.5m of interest a year.

The new investors will also bring more business to Cummins. Ford has agreed to switch to buying 45,000 medium-sized engines from Cummins rather than make its own.

Cummins already has a joint venture with Tenneco's JI Case subsidiary to make such engines. The two parties are discussing "further opportunities" for developing the relationship, Cummins said. Since 1983, Cummins under Mr Schacht's leadership has invested \$1.5bn in new plant and products. It has cut production costs by 22 per cent, manufacturing space by 25 per cent and its workforce by 30 per cent.

Thanks to the radical changes, Cummins makes some of the



highest quality, most efficient diesel engines in the world. But big fluctuations in demand for large engines in the US truck market and other factors have prevented it from reaping a steady financial reward.

At one point Hanson, the acquisitive UK conglomerate, took a 8.3 per cent stake in

Poudries Réunies set to go bankrupt

By Tim Dickson in Brussels

BELGIUM'S biggest corporate bankruptcy for several years is likely to be confirmed today, bringing to an end a five month saga of cross-border squabbling and ill-fated rescue manoeuvres.

Poudries Réunies de Belgique (PRB), the gunpowder and munitions maker owned by Astra of the UK, will officially be told of its fate by a Brussels commercial court. Last night, those close to the company had virtually abandoned hopes of survival.

Prospects brightened last month when two French concerns, Groupement Industriel de L'Armement Terrestre (GIAT) and Société Nationale de Poudres et d'Explosifs (SNPE), a Hong Kong company controlled by Sir Ron Brierley, of New Zealand, took a 14.9 per cent stake, but has since signed a standstill agreement.

Lex. Page 20

Kubota acts to secure European engine supplies

By Ian Rodger in Tokyo

THE PRIMARY near-term reason for the Cummins deal from the point of view of Kubota, Japan's largest farm equipment manufacturer, is the establishment of engine manufacturing in Europe.

Kubota has a 55 per cent-owned factory in Spain which last year turned out 3,200 tractors and recorded sales of Ptas 6.6bn (\$8.25m) and another in West Germany which made 1,200 units of construction equipment, mainly mini-excavators, with sales of DM41m (\$34.96m). Kubota's principal concern at the moment is maintaining supplies of engines to those plants after 1992.

Within the EC, it plans to set up a factory jointly with Cummins to

make small diesel engines by 1992. Mr Yuichi Murata, general manager of the engine division planning department of Kubota, said yesterday: "There are many views on the post-1992 European market. We have no clear idea of what will happen, but we have a vague concern. It is very important for us to have a supply of engines for the tractor and construction equipment plants which are already there."

However, he added that the company did not want to limit its collaboration with Cummins to the European market. It also wanted to strengthen its existing collaboration with Onan, a small US engine and equipment maker

which is 64 per cent owned by Cummins, and it would like to exchange technology, products and equipment with Cummins. No discussions had been held yet on how Kubota might help Cummins in the Japanese market.

Kubota produces no engines in the US or Europe. Its only offshore plants are in Asia. About 60 per cent of Kubota's Japanese output of 250,000 engines a year are exported, and of that portion, 70 per cent go to US and European markets.

At the moment, there are no restraints on shipments of diesel engines from Japan to any West European country or the US. Mr Murata said it was possible the

company would use the Cummins factory in the UK for the new plant but he noted that the site had limited space for expansion.

The company had considered a number of ways to resolve its concern about European production, but concluded that direct investment on its own would be too costly.

"We have to have many suppliers of parts, so it was natural for us to seek a good partner with an established parts supply network," Mr Murata said.

Kubota was selected in part

because it had got to know the US company through its association in the past decade with Onan. Kubota supplies diesels for

Onan's marine generators and the two companies are developing a diesel engine for a recreational vehicle.

There is very little overlap in their engine product lines.

By contrast, Cummins' long relationship with Komatsu, the top Japanese construction equipment manufacturer, was broken off largely because the two ended up competing in world diesel markets with virtually identical products.

For Kubota, a previous expansion abroad brought a hitch last week when two Silicon Valley entrepreneurs filed a suit alleging it stole their technology through its investment in Stardent, a supercomputer maker.

PRB has been linked this year with the Iraqi supergun affair but the main interest in the affair in Belgium has been in trying to avert an industrial failure. Major bankruptcies are rare and politically embarrassing in a country which prides itself on its high degree of social consensus and harmony between the "social partners".

It is understood that GIAT/SNPE have been willing to offer PRB \$350m but that this is considered insufficient given PRB's EFr1.5bn of social obligations to employees.

The banks said their bid was constructed in such a way that they would not assume any of the liabilities.

INTERNATIONAL COMPANIES AND FINANCE

French become leading players in East German reconstruction

William Dawkins on the latest in a big list of deals

French industry is emerging as the biggest foreign player on the East German market after West Germany.

Yesterday's acquisition of more than a third of the East German cement market by Lafarge Copepe, the French cement producer, is the latest in a growing list of big French companies keen to get a stake in East German economic reconstruction - and working more aggressively at it than most of their European counterparts.

"We cannot yet talk of a new wave of French investment, but a great deal is being prepared," says Mr Raymond Ravanel, head of the East German committee of the CNPF French employers' organisation, which estimates nearly 50 co-operation ventures are currently under way.

The East Germans are keen to welcome us on the grounds that they need to diversify a bit. They don't want to business just with their brothers in West Germany, but with their cousins in France as well," adds Mr Ravanel, who repre-

sented the CNPF on last week's official visit to Berlin by Mr Roger Fauroux, the French Industry Minister.

Apart from Lafarge's announcement yesterday, other big French industrial projects under study or recently completed in West Germany are:

• ESN, the food group, was

among the first to jump, when

it announced in March it

would spend FF100m (517.5m)

to FF16.5m, of which FF13.5m

was French exports, making

France the country's second

trading partner after West Ger-

many, according to the CNPF.

• Renault, the state-owned

car maker, announced last

month it had recruited 200

dealers in East Germany, the

largest network set up by a

non-German company.

• Pechiney, the state-con-

trolled aluminium and packag-

ing group, has for the past year

been negotiating for the pur-

chase of an East German flexi-

cycle tube factory, against strong

West German competition.

• L'Air Liquide, the indus-

trial gases group, is also batt-

ling against West German

counter-bidders, this time for

control of Tega, East Ger-

many's only industrial gases

producer.

This activity coincides with

a strong growth in trade

between France and East Ger-

many, up 45 per cent last year

to FF76.5m, of which FF3.5m

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• Holmes Protection, the

French security company,

deeply into the red last year.

Holmes, which has endured

several boardroom upheavals

in the last 18 months, lost

£20.8m before tax in 1988. The

group passed its final dividend

and is unlikely to pay further

dividends before 1992, when it

must meet the final deadline

for paying off long-term debt.

To meet the repayment sched-

ule, Holmes is planning to sell

some of its assets.

The shares, which stood at a

high of 185p in 1987, slipped

1p to 11p yesterday. The

shares trade only on the Lon-

don Stock Exchange.

There is still some tension

in the Holmes boardroom

between Mr Eric Kohn, a non-

executive director, and joint

chief executives Mr David

James and Mr John Flack. Mr

Kohn works for Barons Financial

Services, which advises

Wormald International, a 14.7

per cent shareholder in Holmes.

Mr Kohn said yesterday the

Holmes executives had rejec-

ted a request by Wormald

and other institutional share-

holders to appoint another non-

executive director to the

board.

Mr James said discussions

were continuing, but added:

"We are unclear what Wormald, Barons Financial and Eric Kohn want."

Although acquisitions

pushed up turnover from

\$86.7m to \$76m in 1989, oper-

ating costs increased by 24 per

cent, interest payments esca-

lated and there was a loss of

30 cents per share, compared

with earnings of 13 cents in

1988.

Holmes has also written off

in the balance sheet a \$5.9m

reduction in the group's pen-

sion fund assets.

Holmes said that during

1988 the fund's investment

managers committed about 40

per cent of the fund to a short

sale of US treasury notes,

incurring a substantial loss

which could not be recovered.

Details, Page 28

Holmes Protection posts \$20m pre-tax loss

By Andrew Hill in London

MORE than \$22m of

reorganisation costs and

write-offs - including \$7m in

severance payments - pushed

Holmes Protection Group, the

New York security company,

deeply into the red last year.

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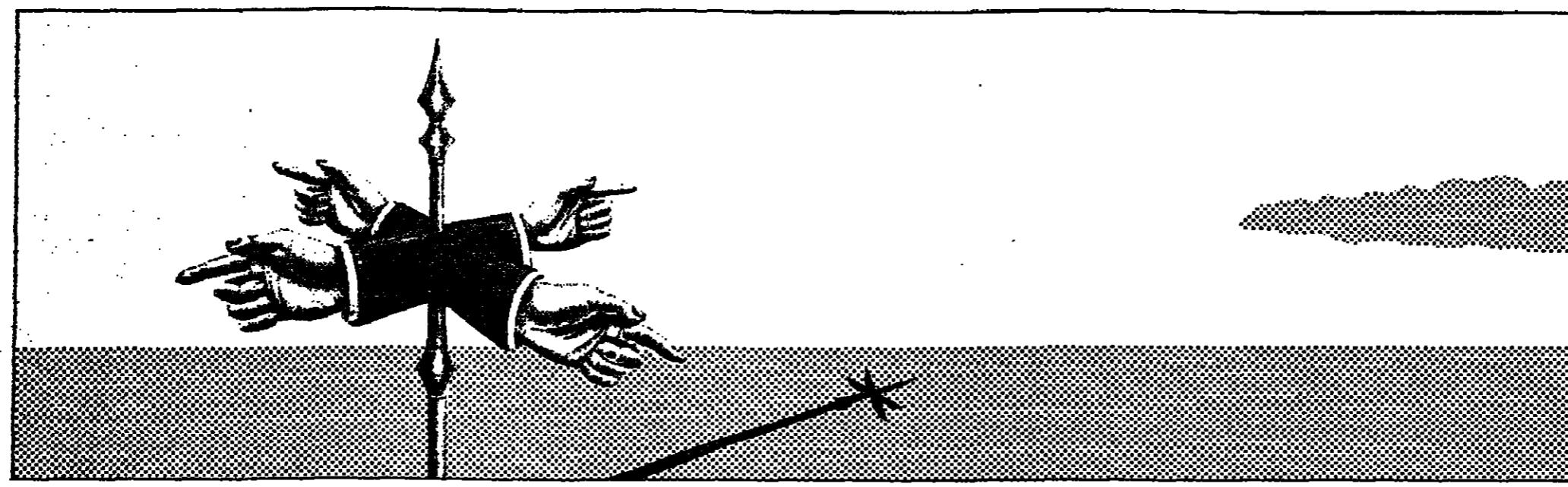
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incurring a



Today, a bank should be able to show you opportunity anywhere in the world.

It's clear which way the wind blows today. All signs point to more and more transactions that cross borders.

Yet where do the best opportunities lie?

Bankers Trust can show you.

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Bankers Trust's ability to advise them or you on cross-border transactions is widely recognised. As are our skills at arranging the most intricate forms of financing.

Our American roots give us broad, first-hand knowledge of the U.S. corporate world. But with our strong presence in Europe, Japan and Australia, we are equally at home in these worlds, too.

With that in mind, bear this in mind: Today, few banks can show you more international opportunity than we can.

Bankers Trust Company

Because today isn't yesterday.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, July 16, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	£ STG	US \$	D-MARK	YEN OF 1000	COUNTRY	£ STG	US \$	D-MARK	YEN OF 1000	COUNTRY	£ STG	US \$	D-MARK	YEN OF 1000
Afghanistan (Afghan) 99.25	55.0166	33.2774	37.1722		Gabon (CFA Fr) 500.12	277.2283	167.6848	187.3108		Pakistan (Pak. Rupee) 39.00	21.6186	13.0762	14.6067	
Albania (Leke) 10.0850	5.5903	3.3813	3.7771		Gambia (Dakar) 8.8159	5.0300	5.6107	6.0408		Parasara (Balboa) 1.8040	1.9678	0.5724	0.4756	
Algeria (Dinar) 15.2450	8.4506	5.1114	5.7097		Germany East (DDR) 1.0000	1.0000	1.0000	1.0000		Peru (Nuevo Sol) 21.0000	1.1974	0.4407	0.3798	
Andorra (Fr) 10.0025	5.5446	3.3537	3.7402		Chile (Peso) 2.0000	220.2514	221.6991	15.2434		Peru (Inti) 70.0000	38847.5055	23497.3679	26247.5280	
(Sp. Peseta) 10.0025	5.5446	3.3537	3.7402		Philippines (Peso) 40.70	22.5607	13.6462	15.2434		Philippines (Peso) 40.70	22.5607	13.6462	15.2434	
Angola (Takao) 55.1550	20.9100	12.7200	19.9862		Portugal (Escudo) 1.0000	0.7262	0.7745	0.7745		Portugal (Escudo) 1.0000	0.7262	0.7745	0.7745	
Angola (Esc) 4.8200	2.6540	1.5545	1.9202		Qatar (Riyal) 6.5247	3.6167	2.1876	2.4437		Qatar (Riyal) 6.5247	3.6167	2.1876	2.4437	
Argentina (Australian) 5612.35	527.9212	318.9380	3562.6779		Reykjavik (Iceland) 1.0000	1.0000	1.0000	1.0000		Reykjavik (Iceland) 1.0000	1.0000	1.0000	1.0000	
Armenia (Ler) 1.2900	1.2799	1.2799	1.2934		Rome (Lira) 1.0000	1.0000	1.0000	1.0000		Rome (Lira) 1.0000	1.0000	1.0000	1.0000	
Australia (Aus) 2.2050	1.16047	0.7012	7.8408		Rwanda (Rwanda) 1.0000	1.0000	1.0000	1.0000		Rwanda (Rwanda) 1.0000	1.0000	1.0000	1.0000	
Austria (Schilling) 261.00	14.6764	8.7104	97.7700		Saint Lucia (Carr) 1.0000	1.0000	1.0000	1.0000		Saint Lucia (Carr) 1.0000	1.0000	1.0000	1.0000	
Azores (Port Escudo) 261.00	14.6764	8.7104	97.7700		Saint Lucia (Carr) 1.0000	1.0000	1.0000	1.0000		Saint Lucia (Carr) 1.0000	1.0000	1.0000	1.0000	
Bahamas (Bahama \$) 1.8040	1.0000	0.6404	0.6756		Saint Vincent (Carr) 1.0000	1.0000	1.0000	1.0000		Saint Vincent (Carr) 1.0000	1.0000	1.0000	1.0000	
Bahrain (Dinar) 0.6743	0.3744	0.2284	0.2500		Saint Vincent (Carr) 1.0000	1.0000	1.0000	1.0000		Saint Vincent (Carr) 1.0000	1.0000	1.0000	1.0000	
Bahrain (Dinar) 0.6743	0.3744	0.2284	0.2500		Saint Vincent (Carr) 1.0000	1.0000	1.0000	1.0000		Saint Vincent (Carr) 1.0000	1.0000	1.0000	1.0000	
Barbados (Barb) 2.0056	11.6047	7.0192	7.8408		Singapore (Singapore) 1.0000	1.0000	1.0000	1.0000		Singapore (Singapore) 1.0000	1.0000	1.0000	1.0000	
Barbados (Barb) 2.0056	11.6047	7.0192	7.8408		Singapore (Singapore) 1.0000	1.0000	1.0000	1.0000		Singapore (Singapore) 1.0000	1.0000	1.0000	1.0000	
Belgium (Belg Fr) 61.35	34.0077	20.5619	22.7775		Slovakia (Koruna) 1.0000	1.0000	1.0000	1.0000		Slovakia (Koruna) 1.0000	1.0000	1.0000	1.0000	
Bolivia (Bol) 3.60	1.9955	1.2078	1.3493		Slovenia (Tolar) 1.0000	1.0000	1.0000	1.0000		Slovenia (Tolar) 1.0000	1.0000	1.0000	1.0000	
Bolivia (CFA Fr) 500.12	277.2283	167.5548	187.3108		Somalia (Somali) 1.0000	1.0000	1.0000	1.0000		Somalia (Somali) 1.0000	1.0000	1.0000	1.0000	
Bolivia (Dop) 1.0000	1.0000	0.6048	0.6756		Sri Lanka (Rup) 1.0000	1.0000	1.0000	1.0000		Sri Lanka (Rup) 1.0000	1.0000	1.0000	1.0000	
Bolivia (Peso) 1.0000	1.0000	0.6048	0.6756		Sudan (Sudan) 1.0000	1.0000	1.0000	1.0000		Sudan (Sudan) 1.0000	1.0000	1.0000	1.0000	
Botswana (Pula) 3.2937	1.1031	0.7232	1.2322		Swaziland (Emalangeni) 1.0000	1.0000	1.0000	1.0000		Swaziland (Emalangeni) 1.0000	1.0000	1.0000	1.0000	
British Virgin Is. (US \$) 6.6767	4.4339	2.6400	4.4339		Taiwan (New Taiwan) 1.0000	1.0000	1.0000	1.0000		Taiwan (New Taiwan) 1.0000	1.0000	1.0000	1.0000	
Brunei (Ringgit) 1.8277	1.8277	1.8277	1.8277		Tunisia (Dinar) 1.0000	1.0000	1.0000	1.0000		Tunisia (Dinar) 1.0000	1.0000	1.0000	1.0000	
Bulgaria (Leva) 0.5770	1.8165	1.2273	1.2273		Turkey (Lira) 1.0000	1.0000	1.0000	1.0000		Turkey (Lira) 1.0000	1.0000	1.0000	1.0000	
Bulgaria (Leva) 0.5770	1.8165	1.2273	1.2273		Uganda (Shillings) 1.0000	1.0000	1.0000	1.0000		Uganda (Shillings) 1.0000	1.0000	1.0000	1.0000	
Burma (Kyat) 10.7700	9.5745	6.1577	3.6157		Uzbekistan (Sum) 1.0000	1.0000	1.0000	1.0000		Uzbekistan (Sum) 1.0000	1.0000	1.0000	1.0000	
Burundi (Burundi) 169.3488	169.3488	169.3488	169.3488		Venezuela (Bolivar) 1.0000	1.0000	1.0000	1.0000		Venezuela (Bolivar) 1.0000	1.0000	1.0000	1.0000	
Burundi (Burundi) 169.3488	169.3488	169.3488	169.3488		Vietnam (Dong) 1.0000	1.0000	1.0000	1.0000		Vietnam (Dong) 1.0000	1.0000	1.0000	1.0000	
Cameroun (CFA Fr) 500.12	277.2283	167.5548	187.3108		Yemen (Rial) 1.0000	1.0000	1.0000	1.0000		Yemen (Rial) 1.0000	1.0000	1.0000	1.0000	
Cameroun (CFA Fr) 500.12	277.2283	167.5548	187.3108		Zambia (Kwacha) 1.0000	1.0000	1.0000	1.0000		Zambia (Kwacha) 1.0000	1.0000	1.0000	1.0000	
Canada (Dollar) 1.1500	1.1500	0.7000	0.7000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000	
Canada (Dollar) 1.1500	1.1500	0.7000	0.7000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000	
Chad (Fr) 500.12	277.2283	167.5548	187.3108		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000	
Chad (Fr) 500.12	277.2283	167.5548	187.3108		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000	
Chile (Chilean Peso) 500.12	303.2705	182.4567	204.3063		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000	
Chile (Chilean Peso) 500.12	303.2705	182.4567	204.3063		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000	
Colombia (Peso) 500.50	500.50	304.6102	340.2621		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000	
Costa Rica (Colón) 15.2450	9.1127	5.6745	6.1577		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000	
Côte d'Ivoire (CFA Fr) 500.12	277.2283	167.5548	187.3108		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000		Zimbabwe (Dollar) 1.0000	1.0000	1.0000	1.0000	

UK COMPANY NEWS

Triplex Lloyd's 57% rise helped by acquisitions

By Andrew Bolger

TRIPLEX LLOYD, the diversified foundry and building products group, yesterday unveiled a management reshuffle as it reported a 57 per cent increase in pre-tax profits for the year to March 31 1990.

Mr Lewis Robertson, 67, said he would step down as chairman of the group, which was formed from two Midlands steel foundry businesses. He became head of FH Lloyd in 1982 and was appointed to lead Triplex Foundries a year later. The companies were brought together in 1987.

Aided by acquisitions the profit came to £12.6m, against £7.4m, and was generated from turnover of £177.5m (£134.75m). Earnings per share were 20.1p (18.9p), and the final dividend is 4.5p for a total of 7p, a 22 per cent increase on the previous 5.75p.

Mr Robertson will continue as chairman of Liley, the building and property development group, and Havelock Europa, the store design and shopfitting company.

He said he was leaving Triplex Lloyd because two once drifting and troubled entities had been transformed. He was confident that the current economic downturn would produce new opportunities for his corporate rescue activities — "the telephone keeps ringing."

New chairman of Triplex Lloyd will be Mr James Doel, currently chief executive and deputy chairman. Mr Norman Price will become managing director.

Profit included a 9.9m contribution from property, mainly arising from the development of Triplex's 90-acre Park Lane site on the M6, between junctions 9 and 10. Mr Doel said property would con-



Lewis Robertson, right, who is handing over the chairmanship to Jim Doel, left, in the management reshuffle

tribute a similar amount to profits for the next three or four years.

Mr Robertson claimed the strong planned profits stream from property had supported accelerated investment in new technology and equipment, while the balance sheet was strengthened, with gearing having been brought down from 69 per cent to 31 per cent.

Triplex Lloyd Automotive showed a temporary reduction in profits because of the installation of a £1.5m automatic moulding machine. Triplex Lloyd Building Products was concentrating on commercial property and reduced its exposure to new homes market.

• **COMMENT**
These figures were broadly in line with market expectations, and consider reworking the story and consider reworking the share.

Rentokil expands in £12m deal

RENTOKIL GROUP, the West Sussex-based environmental services company, is extending its activities in Australasia through a NZ\$36.5m (£12.2m) cash deal.

It has conditionally acquired the tropical plant rental and maintenance businesses of Brierley Investments, comprising branches in New Zealand and Australia as well as a smaller network in the west

of Canada. Projected profits for the business in the 12 months to end-June 1990 amount to NZ\$4.2m, on sales of NZ\$31m. Net assets stand at NZ\$8m.

Mr Clive Thompson, chief executive of Rentokil, said: "The addition of the Australian business to our own businesses in Sydney and Adelaide will establish us as the market leader in Australia."

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for more details.

Banner Homes declines and passes final

By Andrew Taylor,
Construction
Correspondent

Banner Homes Group has become the latest housebuilder to pass its final dividend as the recession in the housing market continued to reduce profits.

Yesterday, the USM-quoted group announced it had made pre-tax profits of £559,000 in the 15 months ended March 31 1990, compared with £1.5m in the 1988 year, although turnover increased from £6.75m to £11.55m.

Interest charges rose from £280,000 to just over £1m.

Earnings per share slumped from 9.9p to 2.4p. A final dividend is not being paid so as to leave more cash in the business pending a recovery in the housing market.

That means the 0.8p interim is the only payment against a total of 2.8p — interim 1.1p and final 1.7p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of discussing the company's financial results. They are not available as to whether the directors are interim or final and the dividends declared are based mainly on last year's results.

Today

Interiors - City of Oxford Inv Trust, Southern Inv Fund, Finsbury Inv Fund, Finsbury Inv Fund, ASDA, Balfays, Broad Street, Davies (DVI), Harrods Inds, Tops Estates, FUTURE DATES

July 26

Europeans Assets Trust July 27

Owners Abroad July 28

Scandinavian Inv Fund July 29

Telecommunications July 30

Plastics, Broad Street (C) July 31

Good Durrant July 31

VTRM July 31

Zetters July 31

MANAGEMENT EDUCATION & DEVELOPMENT

The Financial Times proposes to publish this survey on:

24th July 1990

For a full editorial synopsis and advertisement details, please contact:

Michael Rowlands
on 071-873 3349

or write to him at:

Number One Southwark Bridge
London SE1 9HL

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

Pittard Garnar warns of interim loss

By Andrew Bolger

SHARES IN Pittard Garnar, one of Britain's two remaining quoted leather companies, fell by 32p to 80p yesterday after the group warned that it would make a pre-tax loss of between £1m and £1.5m for the six months to June 30.

Pittard blamed provisions against losses on raw material and finished stocks within its clothing and chamois division for the plunge into the red. There was a profit of £2m in the same period last year.

The extent of the loss could only be assessed when the level of skin prices over the coming weeks was known.

The directors expected Pittard to trade profitably in the second half, although the first-half loss was unlikely to be eliminated.

Pittard said its clothing and chamois division had been affected by the recent collapse in the price of sheepskin pelts and the consequential fall in finished leather prices. This had been aggravated by competitors' decking.

It had also experienced raw material quality problems during the second quarter, which have now been rectified.

Since parking in April, the company's borrowings had been reduced, as planned, and a further reduction was expected in the second half as lower raw material prices would reduce the group's working capital requirements.

Strong & Fisher, the other quoted leather company, has made two previous bids for Pittard and now owns a 27 per cent stake, having acquired 17 per cent from Hillsdown Holdings, the food, furniture and property group.

Lowndes paid Gulliver £0.26m

By Maggie Urry

Mr James Gulliver, the former chairman of Lowndes Queen-sway, the loss-making furniture and carpet retailer, received a salary of £257,000, excluding pension contributions, during the year to end January 1990, according to the annual report.

Mr Gulliver left the group, which lost £30m in the year, shortly after the year end. He had led the £450m leveraged takeover of the company, then Harris Queensway, in 1988.

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Lowndes also paid £1m to LEK Partnership, a consultancy group, again employed on an arms length basis. Mr Richard Koch, who became a non-executive director of Lowndes in January had been a partner of LEK.

Lowndes paid Gulliver £0.26m

By Maggie Urry

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UK COMPANY NEWS

FSM bucks sector trend with 80% climb to £25.4m

By Vanessa Houlder

FORD SELLAR Morris Properties, the USM-quoted property-developer, dealer and investor, shrugged off the problems of its sector to produce a 80 per cent increase, from £14.5m to £25.4m, in pre-tax profits for the year to April 30.

Mr Irvine Sellar, chairman, struck a relatively confident note about the future, saying that FSM's portfolio was still attracting rental growth and its development programme was pre-letting at rates which augured well for this year's results. "Although we are not delirious about the state of the property market, we are not unmoved," he said.

He did not expect the problems experienced in the south-east of England to ripple out further north. "Even if we should bump along the bottom for another six to nine months, it should not spread too far," he said.

Net income increased to £8m as a result of rent reviews and the properties added to the portfolio during the course of the year. However, this did not cover the "interest charge" which more than tripled to £13.08m (£3.52m). Mr Sellar

said he expected income to cover borrowing in the course of this year, after further rent reviews and selective disposals.

Borrowings, which soared after the acquisition of Brookmount, a property company bought for \$8m a year ago, were reduced by £72m to £118m at the year-end. Borrowings were fixed at an average of 14 per cent.

Mr Sellar did not approach development with caution, looking for forward sites, and significant relets before making substantial commitments to schemes. All properties held for development had current values in excess of cost, he added.

The group's share price was unchanged at 107p. Mr Sellar said he was examining ways of increasing shareholder value, including a management buy-out reverse takeover.

Net assets per share rose by 64 per cent to 200p. Turnover increased from £62.88m to £149.9m. Earnings per share increased from 25.88p to 32.84p and a final dividend of 4.5p is proposed, making a total of 7p (5p) for the year.

Plateau profits from invested new funds

By Kenneth Gooding, Mining

PLATEAU MINING, the precious and base metals exploration company which was launched on the main market in January, made taxable profits of £9.000 in the six months to March 31 - broadly in line with projections made at the time of the listing.

The profit came from £165,000 of interest received on the £8.5m net of new funds raised by the listing, less an allocation of £83,000 for administrative costs.

Plateau was set up three years ago by Robertson Group, itself a fully listed natural resources, consultancy and takes in those mining activities over which Robertson has management control.

No comparative figures are



Darryl Phillips: media sales proved resilient in spite of tougher UK conditions

Alan Harper

Media sales side behind 89% advance to £5.75m at Acsis

By Jane Fuller

ACSIS GROUP, the USM-quoted marketing services and recruitment company which plans to come to the main market by the autumn, increased pre-tax profits by 80 per cent in the six months to June 30.

The acquisitive group's pre-tax figure of £5.75m (£3.04m) came on turnover ahead 81 per cent to £55.48m (£34.05m).

Because of share issues associated with acquisitions, earnings per share rose rather less quickly to 31.2p.

The biggest profit earner was the media sales division, which made £2.93m (£1.24m) pre-tax on sales of £17.46m (£4.5m) and pre-tax profit to £1.16m (£356,000). The company also announced the sale to management, for about £1.8m, of the Portfolio hotel recruit-

ment business. This involves the repurchasing and cancelling of 1.55m shares at 69.5p each, compared with yesterday's close of 69p.

In continuity sales promotion (for instance a series of linked offers at a supermarket), sales and profit plummeted to £1.55m and £37,000 respectively. Mr Phillips said orders were weighted towards the second half.

Net interest charges of £143,000 were paid compared with £75,000 received last time. Debt had risen to about £8m, related to the purchases of Hirsch Bedner, the hotel interior designer, Elton in media sales and NMS, a nursing recruitment concern.

The interim dividend is increased to 0.4p (0.3p). The interim dividend is increased to 0.4p (0.3p).

Sea Containers surprised by IoM Steam Packet's defence claims

By Sue Stuart in Douglas

SEA CONTAINERS hit back yesterday at the Isle of Man Steam Packet Company's defence document. Mr William Tatham, chairman of Sea Boxes, the Sea Containers' subsidiary which is making the 115p per share hostile bid, said that he found certain aspects of the document surprising.

Referring to the 1985 merger of the Steam Packet and Manx Line, he said it was Sea Containers which took the initiative to do this. It was done in preference to letting Steam Packet go to the wall he added.

The excellent performance of the company over the last five years had coincided with Sea Containers' involvement, he added.

The document's claim that there were alternatives to SeaCat, a high speed catamaran ferry, also surprised Mr Tatham. Sea Containers has several on order and he was unaware of any other fast craft with the same passenger and vehicle-carrying capacity.

He also pointed out that there was no mention in the document of the investment needed to update the fleet. The average age of the vessels in the company was 16 years.

Sea Containers already holds 41 per cent of Steam Packet's shares. It is bidding for a controlling interest of up to 75 per cent and intends to retain the listing. • Tynwald, the Manx Parliament

NEWS DIGEST

Jewellery and giftware businesses - all were budgeted to be profitable during the current year. The precision engineering division makes machined components and gears for aerospace and industrial users.

Dealing profits lift

Yelverton to £0.7m

Yelverton Investments, the USM-quoted investment and securities dealing group, yesterday unveiled taxable profits of £705,000 for the six months to April 30.

The outcome - up from £230,000 in the corresponding period of the previous year and £401,000 for the last 12 months - included net dealing profits of £484,000 (£37,000). The increase largely reflected the sale of the group's holding in Sheraton Securities International.

A maiden interim dividend of 0.75p is payable from earnings of 3.97p (1.28p). Net asset value showed little change at 50.5p (50.2p).

St Andrew Trust

weathers slowdown

The net asset value of St Andrew Trust, after deducting prior charges at par, was 264.5p at June 30 compared with 261.5p a year earlier; at market value the value was 265.5p. The increase was in spite of higher interest charges and was said to be the result of a move towards higher margin products.

Mr David Ross Stewart, chairman, said the company's larger holdings had weathered the economic slowdown. Dumbill and Monument Oil in particular had performed well. He said that smaller companies continued to report good earnings growth. There were hints that those companies were now being rewarded in terms of share price appreciation.

Total income amounted to £1.87m (£1.89m) and revenue before tax to £1.61m (£1.42m) for the year.

Mr Griffith said that, following the strategic review during the year, Excalibur's activities had been focused on two specific areas. During the last three years he said, the group had bought nine loss-making

profits for the year lower at 51.4m (£1.93m). Earnings per share came out at 8.1p (7.5p) and a recommended final dividend of 2.5p made a total for the year of 3.9p, against 3.5p.

45% rise at Central Motor Auctions

Pre-tax profits at USM-quoted Central Motor Auctions jumped 45 per cent in the half-year ended April 30 1990, in spite of a downturn in the spring.

Auction proceeds rose 26 per cent to £145.69m (£115.39m), income by 42 per cent to 26.1m (£4.29m), and the profit was £243,000 (£582,000).

Mr Eric Myers, chairman, said since the spring the level of auction trade had remained constant. More vehicles should be sold in the second half resulting in a higher profit.

He was confident of continued progress, aided by the major branch redevelopment programme at Wimbledon, Glasgow and Rothwell, near Leeds.

Earnings rose to 4.75p (3.57p) and the interim dividend is held at 1p on increased capital.

High interest rates hit Aaronson Bros

A continuation of poor trading conditions saw pre-tax profit at Aaronson Bros, the chipboard and plastic products group, fall by 28 per cent in the half-year ended March 31 1990.

The interim dividend is cut from 1.8p to 1.2p. In the absence of any significant further deterioration in trading conditions, the board expects to maintain the year's total at a similar level to the previous 3.5p.

Turnover fell from £52.83m, of which £44.4m related to continuing activities, to £39.3m, and taxable profit from £1.41m to £1.02m. Earnings worked through at 2.25p (3.1p).

Below the line, there was a

1989 Final Dividend

The Board of Directors of Telefónica de España, S.A. in its meeting held on June 15th, 1990, adopted the following resolution:

To distribute a final dividend for the fiscal year 1989 to Telefónica shares that will be the following amounts for each one of the shares indicated below:

Share Number	Gross amount (pesetas)	Net amount
1 to 924.811.945	30.00	22.500
924.811.946 to 924.963.451	13.973	10.480

It was also agreed that the payment of these dividends shall be carried out on July 30th, 1990, with charge to coupon number 136. Credit and Trustee Entities which work with Telefónica and Spanish Stock Exchanges will perform their own deposits; holders of shares and Credit and Trustee Entities which do not work with Telefónica will perform them in the main offices, subsidiaries or agencies of any of the following Entities:

Bankos Bilbao-Vizcaya, Central, Español de Crédito, Exterior, Hispano Americano, Popular Español, Santander, Urquiza-Union, Caja Postal, Confederación Española de Cajas de Ahorros, Bancoval and Bolsas Oficiales de Valores.

The share certificates related to a number of shares that, for whatever reason, are presented for cancellation on the dividend payment date shall be understood as having exercised this right, for which reason they must be presented adequately stamped, stating textually:

"All rights exercised up to 30-07-90"

The paying Entities shall strictly comply with the instructions received from the Issuing Entity, both in order to produce the corresponding debits and to accept those from other Entities.

Madrid, July 6th, 1990
THE BOARD OF DIRECTORS

 **Telefónica**



FORD SELLAR MORRIS PROPERTIES PLC

12 Months to 30th April 1990 (unaudited)	6 Months to 31st October 1989 (unaudited)	12 Months to 30th April 1989 (audited)
£'000	£'000	£'000
Turnover	149,902	74,200
Profit on Ordinary Activities Before Taxation	25,380	12,019
Earnings Per Share	39.84p	18.10p
Net Dividend Per Share	7.0p	2.5p
		5.0p

- Pre tax profits for the year were £25.4 million, an increase of 80%;
- Earnings per share were 39.84p, an increase of 53%;
- Net assets per share rose in the year to approximately 200p, an increase of 64%;
- Total property assets increased from £105 million to £214 million, an increase of 104%;
- A proposed final dividend of 4.5 p net per share, making a total of 7.0p net for the year, an increase of 40%.

The information relating to the year ended 30th April 1989 is an extract from the latest published accounts which have been delivered to the registrar of companies; the report of the auditors on these accounts was unqualified.

GRANVILLE SPONSORED SECURITIES

High Low	Company	Price	Change	Gross div (p)	Yield %	P/E
343 273	Ac. Brit. Ind. Ordinary	273	0	10.3	3.8	7.4
28 125	Aeronautics Group C	28	0	4.2	2.9	14.6
123 96	Barclay Group C Pref (S2)	96	0	6.7	6.9	1.6
123 70	Bray Technologies	70	0	4.7	6.6	12.6
110 82	Brentail Corp. Pref	82	0	11.8	13.4	2.5
317 225	CCL Group Ordinary	317	0	18.7	5.9	2.5
176 142	CCL Group 11% Cons. Pref	142	0	14.7	8.8	2.4
226 142	CCL Group 11% Cons. Pref	142	0	14.7	8.8	13.2
118 109	Carbo 7.5% Pref (S2)	109	0	12.3	5.6	1.7
8.0 0.1	Magent Co Max-Market A Cons	0.1	0	0	-	-
5 0.1	Magent Co Max-Vesting B Cons	0.1	0	0	-	-
130 56	McGroves Group C	56	0	8.0	14.3	3.2
145 243	Metaphase NV (AmexSE)	243	0	4.3	1.6	10.5
125 100	Metaphase NV (AmexSE)	100	0	20.0	20.0	9.8
467 320	Monica	320	0	10.7	6.0	1.7
178 160	University Europe Cons. Pref	160	0	22.9	13.7	2.4

COMMODITIES AND AGRICULTURE

East German agriculture 'on the point of collapse'

By David Goodhart in Bonn

THE AGRICULTURAL sector in East Germany, which employs nearly 1m people, is on the point of collapse, according to Mr Peter Kauffeld, a state secretary in the East German Agriculture Ministry.

"We are currently experiencing the total collapse of the internal market in East Germany. The sales chain from producer to consumer has been completely broken, the farms do not know any longer where to sell their milk," he said in a newspaper interview.

Even before currency union on July 1 many consumers preferred to buy West German farm produce, but since the union the situation has deteriorated rapidly. Deliveries of agricultural produce out of

West Germany are many times higher than East German deliveries into West Germany.

Mr Kauffeld said that a quota system would not be practical. Instead he favours incentives to buy East German farm products with the aim of balancing the exports and imports of farm produce between the two Germanys.

His Ministry is also working on plans to re-direct farm produce to Eastern Europe and the Soviet Union.

The current liquidity credit of DM800m to help farms through the immediate problems created by currency union is "just a drop in the ocean," says Mr Kauffeld.

"That will be enough to pay wages in July," he added.

Farm-workers have been tak-

ing to the streets both to demonstrate and to sell directly to the public the goods that the state-run retailers are refusing to take.

Ironically the other major group which has been on the streets to demonstrate against the immediate consequences of monetary union are the retail workers.

Workers at the giant HO retail group fear that they will soon be losing their jobs as a result of the mass boycott of East German shops.

East German consumers complain that the prices in East Germany are much too high and many of them can now drive across the border to buy the same products one-third cheaper in West Germany.

'No point' in coffee talks

By David Blackwell

THE INTERNATIONAL Coffees Organisation is expected to call off next week's special talks on the future of the international coffee agreement.

The talks, due to start on Monday, were given the go-ahead earlier this month after a specific request from Brazil, the world's biggest producer. But over the weekend the Brazilians asked for a cancellation, and the ICO is now balloting its members. Colombia, the second biggest producer and the keenest to revive the pact, said yesterday it had no objection to a cancellation.

"It would be more detrimental to have a meeting and say nothing than to cancel it," one London analyst said. "There is no point in calling it now."

The annual meeting of the ICO will take place in the last two weeks of September. The

fact that Brazil was seeking an early meeting, and the expectation that the country would have something to offer towards a new agreement, helped to lift coffee prices earlier this month. But prices last week hit 14½-year lows as the realisation grew that Brazil still has no coherent policy on coffee.

Yesterday September coffee prices on the London Futures and Options Exchange (Fox) touched a fresh low of 55¢ a tonne in the morning before recovering to close at 563, up 20 on Friday's close.

Brazil, which has about 30 per cent of the world coffee market, said at the weekend it was expecting a harvest of 22.5m bags (60 kg each). Most analysts believe the harvest will be between 26m and 27m bags.

Jamaica lifts bauxite output

By Canute James in Kingston

JAMAICA'S BAUXITE output in the first half of this year reached 5.46m tonnes, 27 per cent higher than the corresponding period of 1989. Alumina (aluminium oxide) production grew 53 per cent to reach 1.41m tonnes.

Mr Carlton Davis, executive chairman of the Jamaica Bauxite Institute, said he expected ore production this year to reach 11m tonnes, with refinery output at 2.8m tonnes, compared with 9.4m tonnes and 3.14m tonnes in 1989.

Mr Davis said the increased production in the first half of this year was due mainly to an expansion in the island's refining capacity, particularly the reopening in April last year of a plant owned by Kaiser and Hydro Aluminium.

India set for bumper jute crop

By Kunal Bose in Calcutta

INDIA IS all set to harvest a bumper jute crop in the current season (July 1990-June 1991) after three successive years of short crops. The size of the crop in 1990-91, according to official and trade estimates, will be over 9m tonnes (180 kg each).

In the last three years the average jute crop was around 6.5m tonnes, sending the price of fibre sharply higher. As the 1990-91 season has opened with low carryover stocks of about 600,000 tonnes and the new season fibre will not start arriving in large quantities until about the end of August jute is fetching a premium of more than 150 per cent over the minimum price fixed by the Government.

Encouraged by the prospect of a bumper crop, the Government had announced its intention to export raw jute to hard currency countries, particularly Britain, in 1990-91. But the jute mills have succeeded in getting this plan dropped. India has virtually stopped the export of raw jute since 1976 except for selling a small amount to the Soviet Union.

India's internal requirement of jute is 8.2m tonnes a year and there is a plan to build a buffer stock of 500,000 tonnes. The earlier buffer of the same size was totally drawn down by last June to give some relief to the raw material starved milling industry.

As a result, there will just be enough stocks to be carried forward to the 1991-92 season without leaving any exportable surplus.

Because of the prevailing shortage of fibre and its very high prices 15 jute mills are closed, while a dozen others have cut production. Raw jute prices are expected, however, to seek lower levels as the season advances. Prices of jute goods should also fall as a result, since in the total production cost of finished jute products, the cost of fibre accounts for over 40 per cent. When this happens, the competitiveness of Indian jute products will improve in the world market. At present India is undercut by Bangladesh, where labour and raw jute costs are much lower.

Encouraged by the prospect of a bumper crop, the Government had announced its intention

Nickel prices soar above \$10,000

By Kenneth Gooding, Mining Correspondent

NICKEL PRICES soared on the London Metal Exchange yesterday to move above \$10,000 a tonne for the first time since October last year. This followed a sharp rise on Friday. In the two days the price of nickel for immediate delivery jumped by \$967.5 a tonne to \$10,337.5 or by more than 10 per cent.

On Monday of last week the LME cash nickel price stood at \$8,710 a tonne, since when it has advanced by 18.7 per cent.

Analysts suggested that the nickel price was at last reacting to factors which had been known to the market for some time.

In particular they said that the strike at Société Métallurgique le Nickel's Donzambio plant in New Caledonia, which started one month ago on June 17, was beginning to bite.

SLN, a state-owned French group, is the world's third-largest producer of nickel with an output of about 45,000 tonnes a year or 7 per cent of total world supplies. So far more than 3,000 tonnes of the metal have been lost because of the strike and there is no sign the dispute is coming to an end.

The situation is being exacerbated because most of SLN's nickel production goes to Japanese stainless steel makers, who are experiencing buoyant demand and are currently producing at a rate greater than the industry previously expected.

Analysts say that Japanese buying triggered the recent nickel price rise and that, when the price went through the \$9,800-a-tonne barrier yesterday — an important level for chartists — purchases by speculators and commodity funds and the operation stoppage buying orders by operators who had sold short previously combined to push the metal even higher.

Mr Robin Bhar, metals analyst with the W.L. Carr financial services group, said: "\$3,500 generated a lot of 'buy' signals but the price will have some difficulty going much higher."

"We have probably seen the best of the run."

However, Mr Neil Buxton, metals analyst at the Shearson Lehman Hutton financial services group, predicted that, in the short term, the LME price of nickel for delivery in three months might rise to \$5 a lb (\$11,020 a tonne) or even higher, compared with \$10,300 at last night's close. "We have examples of past nickel shortages to show us what is possible," he added.

Mr Bhar said: "The market is

Milk Board draws up reform plan

By Bridget Bloom, Agriculture Correspondent

MEASURES THAT could spell the end of the current cartel-like price fixing arrangements between the UK's Milk Marketing Board and the Dairy Trade Federation may be announced later this month.

Mr Bob Stevens, chairman of the Milk Marketing Board for England and Wales, is understood to be trying to persuade the remaining members among his 18-member governing board that an announcement should be made at the annual general meeting on July 31 of the board's intention to abandon its statutory monopoly over the buying and selling of milk.

Although MMB officials refused to comment yesterday it is understood that the majority of the MMB's 18 members have been persuaded that the present arrangements must end soon. It was thought that only three or four members remained to be convinced.

Such action would be undertaken principally to meet pressure from the creation of the single European market in 1992 and could take at least a year to effect. It would ultimately spell the end of the board's 54-year-old monopoly as well as of the price- and profit-fixing arrangements between the UK's five marketing boards and the Unigate group, such a move would do nothing to enhance competition since the board would remain a monopoly, albeit without statutory backing.

The two sides of the dairy industry have been under sustained pressure to reform for much of the past year. The arrangements are widely held to stifle innovation and competition and have been criticised by a vociferous minority of farmers, by the UK Government and by officials of the Commission in Brussels.

Most DTF members also oppose the move because the MMB would expect to retain ownership of Dairy Crest, through which it is a 30 to 35 per cent share of the 24.7m UK dairy products market.

The current plan is that the MMB of England and Wales — for the largest of the five UK marketing boards — should voluntarily abandon its statutory monopoly and turn itself into a single co-operative. The plan faces several problems.

First, it is vehemently opposed by the majority of the DTF members. In the words of Mr Andrew Barr, the DTF president, who is also managing director of St Ivel group, such a move would do nothing to enhance competition since the board would remain a monopoly, albeit without statutory backing.

Both ministers and the MMB's management are understood to feel that action must be taken soon if legislative time is to be found before the next UK general election.

Whether or not the new plan is adopted also depends on the attitude of the country's 40,000 dairy farmers who would have to vote on detailed proposals not yet drawn up. The MMB's management apparently feels that it can rely on farmers' support provided the board itself is not openly divided.

made clear that the Government saw no legal reason either in terms of UK or EC legislation why the MMB could not become a full co-operative, or several regional ones.

Mr Curry also noted that many legislation in the UK Parliament would be needed both to abolish the monopoly and to transfer assets either to the new co-operative or, in the case of farmers wanting to opt out, to the farmers themselves.

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Whether or not the new plan is adopted also depends on the attitude of the country's 40,000 dairy farmers who would have to vote on detailed proposals not yet drawn up. The MMB's management apparently feels that it can rely on farmers' support provided the board itself is not openly divided.

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Both

LONDON SHARE SERVICE

BANKS, HP & LEASING

BUILDING, TIMBER, ROADS —

Contd

ELECTRICALS – Contd

ENGINEERING – Contd

INDUSTRIALS (Miscel.)—Contd.

INDUSTRIALS (Miscel.)—Contd.

CHEMICALS, PLASTICS

BEERS, WINES & SPIRITS

DRAPERY AND STORES

HOTELS AND CATERERS

INSURANCES

MOTORS, AIRCRAFT TRADES

FT MANAGED FUNDS SERVICE

- Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-325-2128.

3pm prices July 16

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Continued on Page 41

NYSE COMPOSITE PRICES

12 Stamp 14 2m
High Low Moon Dr. Yol. II 10000000
Continued from previous Page

NASDAQ NATIONAL MARKET

3pm prices July 16

Stock	Div.	Sales	High	Low	Last	Chng	Stock	Div.	Sales	High	Low	Last	Chng	Stock	Div.	Sales	High	Low	Last	Chng	Stock	Div.	Sales	High	Low	Last	Chng	
ABW Bd		1008	52	49	50	-	CrossTr		1008	52	49	50	-	Jacob		1008	52	49	50	-	Checkly		1008	52	49	50	-	
ACC Cd	.16	217	633	55	55	-	Credit		758	52	49	50	-	Jacor		50	11	10	10	-	Curme		25	355	27	26	27	-
ADC	14	216	117	13	13	-	CoastFr		37	112	77	74	-	Jacob		12	120	115	114	-	R-R		9	181	64	64	64	-
ADT	1	10	127	317	317	-	Cytogn		5073	12	10	10	-	Jacob		18	422	39	38	-	RPM		19	284	22	21	21	-
AK		10	127	10	10	-	- D-D		-	-	-	-	-	Jonel A		4	13	12	12	-	RS Fin		7	221	56	54	54	-
AKT		25	303	26	26	-	DF S	Div.	4	752	10	10	-	Jacob		18	422	39	38	-	RatSys		10	30	34	33	33	-
AKT		27	152	12	12	-	DH Tch		11	251	14	14	-	Jonel A		4	13	12	12	-	RatSyst		18	34	32	31	31	-
AKT		28	22	17	17	-	DNA Pl		5	201	17	17	-	Jonel A		27	119	104	104	-	Rally		47	25	27	27	27	-
AKT		29	209	20	20	-	DSC		16	3171	12	12	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		30	24	19	19	-	Cabtrg		17	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		31	209	20	20	-	Capcp		18	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		32	209	20	20	-	Capcp		19	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		33	209	20	20	-	Capcp		20	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		34	209	20	20	-	Capcp		21	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		35	209	20	20	-	Capcp		22	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		36	209	20	20	-	Capcp		23	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		37	209	20	20	-	Capcp		24	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		38	209	20	20	-	Capcp		25	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		39	209	20	20	-	Capcp		26	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		40	209	20	20	-	Capcp		27	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		41	209	20	20	-	Capcp		28	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		42	209	20	20	-	Capcp		29	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		43	209	20	20	-	Capcp		30	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		44	209	20	20	-	Capcp		31	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		45	209	20	20	-	Capcp		32	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		46	209	20	20	-	Capcp		33	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		47	209	20	20	-	Capcp		34	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		48	209	20	20	-	Capcp		35	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		49	209	20	20	-	Capcp		36	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		50	209	20	20	-	Capcp		37	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		51	209	20	20	-	Capcp		38	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		52	209	20	20	-	Capcp		39	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		53	209	20	20	-	Capcp		40	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		54	209	20	20	-	Capcp		41	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		55	209	20	20	-	Capcp		42	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		56	209	20	20	-	Capcp		43	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		57	209	20	20	-	Capcp		44	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		58	209	20	20	-	Capcp		45	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		59	209	20	20	-	Capcp		46	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		60	209	20	20	-	Capcp		47	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		61	209	20	20	-	Capcp		48	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		62	209	20	20	-	Capcp		49	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		63	209	20	20	-	Capcp		50	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		64	209	20	20	-	Capcp		51	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		65	209	20	20	-	Capcp		52	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		66	209	20	20	-	Capcp		53	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		67	209	20	20	-	Capcp		54	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		68	209	20	20	-	Capcp		55	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		69	209	20	20	-	Capcp		56	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		70	209	20	20	-	Capcp		57	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		71	209	20	20	-	Capcp		58	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		72	209	20	20	-	Capcp		59	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		73	209	20	20	-	Capcp		60	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT		74	209	20	20	-	Capcp		61	335	24	24	-	Jonel A		27	119	104	104	-	Rally		25	1417	21	21	21	-
AKT		75	209	20	20	-	Capcp		62	335	24	24	-	Jonel A		18	422	39	38	-	Rally		25	1417	21	21	21	-
AKT																												

AMEX COMPOSITE PRICES

Stock	Div.	Exch.	Price	Change
P/ Sis				
Div. E	1056	High	Low	Close

P/I Sis										P/I Sis										P/I Sis									
Stock	Div.E	100s	High	Low	Close	Chng	Stock	Div.E	100s	High	Low	Close	Chng	Stock	Div.E	100s	High	Low	Close	Chng	Stock	Div.E	100s	High	Low	Close	Chng		
AT&T		554	15	15	16	+ 1	ComEd		5	11	11	11	0	ImpCo	gt.50	600	48	48	49	+ 1	Phly A		100	28	28	28	- 1		
ATT Fi2.41e		129	53	52	52	+ 1	Coron	6	1917	64	62	62	0	Indus		11	163	14	14	+ 1	Phly C		12	20	74	74	- 1		
Actor	8	10	10	10	10	- 1	Cross	1.24	15	32	32	32	+ 1	Interv		15	24	24	24	- 1	PreA		10	21	82	82	- 1		
AmEx	10	55	17	17	17	- 1	CroCs	4.04	16	92	35	34	+ 1	Interv	.12	8	29	24	24	- 1	PreCo		10	32	32	32	- 1		
Alfin		15	2	2	2	- 1	Cubic	.48	16	44	33	33	+ 1	Interv		166	24	24	24	+ 1	Primo		10	32	34	34	+ 1		
Alister		17	11	11	11	- 1	Custod		8	78	22	21	+ 1	Interv		320	14	14	14	- 1	ProtCrs		10	102	62	62	+ 1		
Alphain		17	3	3	3	- 1	CyprFd		8	10	16	16	+ 1	Interv		380	6	16	9	+ 2	- R - R								
Aliza		83	40	40	41	+ 1	- D - D		8	94	9	9	- 1	Interv		6	24	24	24	- 1	RBW		24	64	64	64	+ 1		
Amndm	10	162	16	16	16	- 1	CMG		190	82	82	82	+ 1	J - K		14	831	115	107	+ 2	Regan		12	71	162	162	+ 1		
Almst	27e	16	11	29	29	+ 2	Delivco		412	5	16	4	+ 1	J - K		14	831	115	107	+ 2	ReCap		12	9	14	14	+ 1		
Almtria	.84	31	20	20	20	- 1	Degern		25	37	37	37	+ 1	J - K		14	29	17	12	+ 1	Ridell		12	14	12	12	+ 1		
AlMtd	25	20	20	20	20	- 1	Diodes		40	17	17	17	+ 1	J - K		14	13	13	55	+ 1	Rogers		12	38	3	22	+ 1		
AlPex	3.33	13	6	77	77	- 1	DuCom	.49	40	90	52	52	+ 1	J - K		14	55	112	104	+ 1	Rudick	40e	12	12	20	20	+ 1		
ASCIe	13	34	8	74	8	- 1	Ouplic	.76	9	8	16	16	+ 1	J - K		14	11	11	11	+ 1	Schab		5 - 6	51	51	51	- 1		
AmStM	54e	9	32	41	41	+ 1	- E - E		8	10	12	12	+ 1	J - K		14	11	11	11	+ 1	ScdCp		38	131	51	51	- 1		
Ampl	20	455	14	14	14	- 1	Engp	2.90s	4	102	12	12	+ 1	J - K		14	4	4	4	+ 1	ScdCp		50	10	2	27	- 1		
Angel		2	2	2	2	- 1	EchoBy	.07	126	337	12	12	+ 1	J - K		14	54	54	54	+ 1	ScdCo n		38	16	16	16	+ 1		
ArCm		2	3	3	3	- 1	EcoEn	.16	16	65	76	76	+ 1	J - K		14	2	16	3	+ 1	Spring		34	89	72	72	- 1		
Aslstric		11	11	11	11	- 1	Estator		22	53	44	44	+ 1	J - K		14	33	31	3	+ 1	StratW		1	7	16	16	- 1		
Atari		82	281	59	54	+ 1	ENSCO		31	31	15	15	+ 1	J - K		14	420	73	74	+ 1	Suzma		322	34	34	34	- 1		
AtCoM	4	4	15	15	15	- 1	Expey	.50	9	10	15	14	+ 1	J - K		14	37	36	24	+ 1	Symlogy	40	8	111	85	85	+ 1		
Auditor		8	34	34	34	- 1	- F - F		10	10	34	34	+ 1	J - K		14	14	2	2	+ 1	TIE								
B HO 3.0a	4	50	124	125	121	- 1	Fablog	.20	10	10	34	34	+ 1	J - K		14	229	229	229	- 1	TalPrd		24	125	15	15	- 1		
BAT In	.50e	11	16	16	16	- 1	FAlmPr	1.08e		773	9	9	9	- 10	J - K		14	4186	8	8	+ 1	Tandy		15	495	234	234	+ 1	
BSM		114	51	51	51	- 1	FreshP	.52	21	37	12	11	+ 1	J - K		14	254	47	47	+ 1	TelDm		24	495	38	38	+ 1		
Barclz	g	80	94	94	94	+ 1	Frolic		6	7	10	10	+ 1	J - K		14	252	25	25	+ 1	Teleph		18	75	42	42	+ 1		
Barman		92	14	14	14	- 1	FGHolv	1.07	16	120	11	11	+ 1	J - K		14	10203	13	14	+ 1	Therm		11	103	153	144	+ 1		
BarryRG		18	11	14	14	- 1	G - G		3	3	54	54	+ 1	J - K		14	20	62	62	+ 1	Thru		20	87	165	165	+ 1		
BergB	40	18	202	204	203	+ 1	Ghospd	.50	13	514	29	29	+ 1	J - K		14	20	20	20	+ 1	TollPet		27	27	27	27	- 1		
BellCo	1.12a	18	16	20	20	+ 1	GhospR		64	118	79	79	+ 1	J - K		14	21	21	21	+ 1	TwCity		11	23	6	24	+ 1		
BellM	1.20	11	62	38	37	+ 1	GhospR		4	50	7	7	+ 1	J - K		14	58	58	58	+ 1	Tublizer		171	5	43	5	+ 1		
BellR A		18	22	21	21	- 1	GhospR		10	214	67	67	+ 1	J - K		14	58	58	58	+ 1	Unicorp		11	11	16	11	- 1		
BlaundA	.45	8	15	11	11	- 1	GhospR		12	21	42	42	+ 1	J - K		14	41316	6	6	+ 1	UFoodA		7	2	2	2	- 1		
BolairP	.04	270	57	54	53	+ 1	GhospR		12	11	8	23	+ 1	J - K		14	138	5	5	+ 1	UFoodB		7	17	24	24	- 1		
Bonmar		24	13	16	16	- 1	GhospR		10	214	15	15	+ 1	J - K		14	558	18	18	+ 1	US Cell		65	24	24	24	- 1		
Breath	35	24	124	145	145	- 1	GhospR		10	163	13	13	+ 1	J - K		14	51	5	5	+ 1	Usdral		110	63	64	64	- 1		
Breath g	1.04	18	18	17	17	- 1	GhospR		10	1081	184	173	+ 1	J - K		14	34	46	15	+ 1	WangB		1612	43	41	41	- 1		
CMI Cp		2	2	2	2	- 1	GhospR		12	25	19	19	+ 1	J - K		14	98	54	54	+ 1	WangC		9	63	61	61	- 1		
CalEng		25	2328	22	9	+ 1	GhospR		12	23	21	21	+ 1	J - K		14	10	10	10	+ 1	Whind		946	8	82	82	+ 1		
Caloprg	.85	8	1	8	8	+ 1	GhospR		17	512	52	52	+ 1	J - K		14	24	25	25	+ 1	WellAm		10	4	5	5	+ 1		
CarCr	40	17	900	145	136	+ 1	GhospR		3032	14	14	14	+ 1	J - K		14	1760	3	10	+ 1	WellGrd		320	37	31	31	+ 1		
Cashet	.68	13	10	13	13	- 1	GhospR		12	71	28	28	+ 1	J - K		14	415	24	24	+ 1	WangDc		15	25	23	23	- 1		
CFCds g 01e		964	13	16	14	- 1	GhospR		1	3	54	54	+ 1	J - K		14	109	49	49	+ 1	WellGrd		144	70	17	17	- 1		
11-10-3-16							GhospR		10	204	42	42	+ 1	J - K		14	108	21	21	+ 1	WangDc		144	70	17	17	- 1		
CDaDg s	50	17	427	27	27	+ 1	GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		
CDaDg s.01e	45	41	259	242	25	+ 1	GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		
CDpEs		5	3	3	3	- 1	GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		
ChdPw	11	9	9	74	74	- 1	GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		
Comme	.50e	15	13	24	23	+ 1	GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		
CmPrc		12	44	33	24	+ 1	GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		
ConCp		5	4	6	5	+ 1	GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		
ConCf B		5	6	5	5	+ 1	GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		
ConCp		348	14	14	14	- 1	GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		
ConAm		108	6	6	6	- 1	GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		
11-10-3-16							GhospR		10	18	11	11	+ 1	J - K		14	108	33	33	+ 1	WangDc		144	70	17	17	- 1		

AMERICA

Dow breaches 3,000 level after series of attempts

Wall Street

A STRONG set of results from IBM and a dose of programme buying helped the Dow Jones Industrial Average jump to the 3,000 level yesterday morning, writes *James Bush* in New York.

The Dow breached 3,000 several times and then fell back to just below this level. However, at 2 pm, the Dow was quoted 23.52 points higher at 3,002.72 on moderate volume of 94m shares.

Last Friday, the Dow had also briefly surged above 3,000 but then fell back to halve its gain, closing 10.40 higher at a record 2,980.20.

Other indices also traded at record highs at yesterday's mid-session. The broadly based Standard & Poor's 500 index was 1.83 higher at 369.14 compared with its record close of 367.40 on June 4.

IBM, which is heavily weighted in the Dow Jones Industrial Average and has often acted as a catalyst to the broad market in the past, was \$1 higher at \$122. The company reported net income in its second quarter of \$245 a share compared with \$231 a share a year earlier - results which were at the high end of analysts' expectations.

Another strong contributor to the Dow's continuing rise was United Technologies, which added 1.1% to \$60 after

the company said late on Friday that earnings for the second quarter would be about the same as a year ago, in spite of the inclusion of a \$30m pre-tax charge for the planned closure of a compressor plant.

Other blue chip issues were mostly moderately higher.

Procter & Gamble added 5% to \$51, PepsiCo added \$1 to \$52, International Paper rose 5% to \$54 and Merck added 5% to \$58. F.W. Woolworth, however, slipped 5% to \$56.

The reaction to the early announcement of IBM's results was relatively modest, but then computerised buy programmes kicked in and gains were extended. There was clear resistance at the 3,000 level for most of the morning, which is quite usual when the market has reached a large round number at record levels.

There was a great deal of corporate news to absorb. Cummins Engine jumped \$3 to \$54 after agreeing to sell a 27 per cent aggregate stake to Ford Motor, Tenneco and Kubota of Japan for \$250m, a deal which could yield hundreds of millions of dollars in added revenue.

RJR Nabisco was 5% lower at \$7 as the company launched a \$6.5bn recapitalisation programme, which involves RJR selling \$1.7bn of newly issued common stock to Kohlberg Kravis Roberts for \$6.25 a share.

Chase Manhattan dropped 5% to \$200 after reporting second quarter earnings which were 62 per cent lower than a year ago because of increased loan loss provisions. In contrast, J.P. Morgan jumped 5% to \$37.7 after reporting a 0.5 per cent increase in its second quarter earnings.

On the American Stock Exchange, Gartner Electronics gained 5% to \$33 on US press reports that the company would report second quarter earnings of between 19 cents and 23 cents a share compared with net earnings of 1 cent a year ago.

Canada

TORONTO firmed at mid-session, encouraged by the strength on Wall Street. The composite index firmed 19.0 to 3,615.3 on volume of 9.4m shares. Advances led declines by 212 to 177.

Oil and gas shares led the rise with Imperial Oil class A shares rising C\$14 to C\$57 after last week's news that Opec might tighten production.

TCC Beverages, bottler of Coca-Cola products, was unchanged at C\$12.4%. The company reported a rise in second quarter earnings to 19 cents per share from 18 cents. Deprenyl Research, which reported a rise in second quarter earnings, climbed C\$1 to C\$24.

Record highs in the US boost other centres

MARKETS IN PERSPECTIVE

	% change in local currency 1			% change sterling 1			% change in US 1		
	1 Week	4 Weeks	1 Year	Start of	Start of	Start of	1990	1990	1990
Austria	+3.64	+8.60	+89.16	+45.07	+33.20	+49.14			
Belgium	+0.22	-1.08	-1.88	-6.38	-12.04	-1.51			
Denmark	+0.82	-0.55	+3.99	+4.04	-12.26	+9.45			
Finland	-1.82	-3.67	-16.01	-3.99	-9.82	+0.98			
France	+0.04	-1.53	+9.78	-2.27	-8.41	+2.58			
W. Germany	+0.24	+8.12	+29.38	+9.48	+0.89	+12.75			
Ireland	-1.52	-4.13	+14.46	-1.55	-7.77	+3.27			
Italy	+0.44	-4.78	+2.03	+2.11	-3.82	+7.68			
Netherlands	+2.52	+1.48	+2.38	-1.85	-9.82	+1.20			
Norway	+4.63	+3.72	+16.98	+19.45	+11.40	+24.74			
Spain	+3.59	+9.10	+0.81	+2.28	-0.81	+11.06			
Sweden	-0.58	+5.18	+20.20	+15.58	-1.70	+20.03			
Switzerland	+0.80	+3.20	+10.38	+5.31	-4.22	+16.88			
UK	+1.39	-0.82	+2.93	-2.47	-2.47	+9.18			
EUROPE	+1.03	+1.22	+8.48	+1.16	-2.74	+8.80			
Australia	+2.60	+6.71	+6.30	-0.79	-11.25	-0.63			
Hong Kong	+3.25	+8.92	+38.41	+22.77	+10.17	+23.38			
Japan	-0.08	-2.12	-10.79	-20.45	-30.71	-22.44			
Malaysia	+4.05	+7.34	+30.24	+6.98	-4.63	+7.58			
New Zealand	+5.76	+4.75	+1.45	-2.53	-13.29	-2.91			
Singapore	+1.78	-1.30	+15.85	+11.99	+4.62	+17.13			
Canada	+1.40	+0.24	-5.44	-7.77	-17.56	-7.68			
USA	+2.37	+1.12	+10.28	+3.70	-7.38	+3.70			
Mexico	+6.07	+0.44	+12.47	+71.67	+43.58	+60.78			
South Africa	-1.31	+3.52	+16.06	+2.21	-19.06	-9.37			
WORLD INDEX	+1.15	+6.15	+1.50	-6.82	-16.20	-6.17			

1 Based on July 12 1990. Copyright: The Financial Times Limited, Goldman, Sachs & Co. and County NatWest Securities Limited.

By Jacqueline Moore

RECORD HIGHS in Wall Street again worked their magic on other world markets, helping the FT Actuaries World Index rise 1.15 per cent last week in spite of a slight decline in Japan.

The US advanced 2.4 per cent in local currency terms. The market began to climb on Wednesday as the oil sector benefited from higher world oil prices, and rose further on Thursday on hints of lower interest rates.

The confirmation of an easing of monetary policy by the Federal Reserve on Friday prodded the Dow Jones Industrial Average briefly above the 3,000 level, although it closed the week at 2,968.80, its second consecutive all-time high.

The American continent also produced the world's best performer of the week. Mexico gained 6.1 per cent, taking its rise this year in local currency terms to more than 71 per cent, on optimism about the plans to privatise 18 banks, says Ms Gillian Graham of Latin American Securities. On Friday, the

president of the Mexican Stock Exchange said that the privatisation would be implemented within four to five weeks. Four regional banks - Bancom, Promax, Bancen and Banorte - are thought likely to be privatised within a month.

A fall in interest rates on Thursday also boosted the market, although volume was low as investors awaited news of the banking privatisations.

The Asia Pacific region had a good week, New Zealand, Malaysia, Hong Kong, Australia and Singapore all showing strength, with gains ranging from 1.6 to 5.6 per cent.

New Zealand was helped partly by Australia's advance and partly by the weakness of its own currency against the Australian dollar, which encouraged foreign buying, particularly from its larger neighbour. Australia, meanwhile, was unable to sustain the upward momentum in evidence following the upset caused by the AIDS rights issue. Malaysia and Singapore both began cautiously, but rallied later after rises in international markets. Lum Mei Keun of Kay Hian James Capel says

that, at the start of the week, trading in Malaysia was thin in the absence of fresh incentives and on concern over the current political developments. But on Thursday, strong gains in Tokyo and New York boosted the Kuala Lumpur index to just below its high.

In Europe, fortunes were mixed: Norway produced the best gain of 4.6 per cent and Spain rose 3.6 per cent, while Finland and Ireland each declined by more than 1.5 per cent. Good inflation figures boosted both Norway - which was also helped by the higher oil prices - and Spain, which also enjoyed a return of foreign investors and growing optimism over interest rates.

Finland's loss last week was the market's 4 per cent down in the year to date, in local currency terms, on a mixture of economic and corporate earnings worries. Ireland, meanwhile, was unable to sustain the upward momentum in evidence following the AIDS rights issue. Malaysia and Singapore both began cautiously, but rallied later after rises in international markets. Lum Mei Keun of Kay Hian James Capel says

domestic interest rates faded.

The Barclays index rose 3.29 to 1,904.82. Turnover fell to 7.9m shares or N\$235.2m from Friday's 21.2m or N\$488.5m.

SINGAPORE built on last week's gains, with strong domestic and foreign institutional interest in blue chips paving the way. Some speculative issues, mainly Malaysian, also came into play. The Straits Times Industrial index rose 11.54 to 1,775.94.

HONG KONG snapped a five-session winning streak as the anticipated period of consolidation finally subsided. The Hang Seng index fell 10.31 to 3,488.83 and turnover eased to HK\$2.5m from HK\$2.55m.

SEALAND fell to its lowest level this year on escalating political and economic concern. The composite index closed at 688.01, down 6.18 from Saturday's 705.7m shares or N\$73.52m.

NEW ZEALAND continued its rally, but at a slower pace as overseas buying interest was dulled by the rise in the domestic dollar. News that inflation rose 1.8 per cent in the quarter ended June 30 and was up 7.6 per cent from the year-earlier quarter, larger rises than expected, also weighed on the market as hopes for an early fall in

ASIA PACIFIC

Institutions return on interest rate hopes

Tokyo

INSTITUTIONAL investors came back into the market yesterday and share prices surged on widespread buying. The Nikkei average closed above 33,000 for the first time in over a month, writes *Michigan Nakamoto* in Tokyo.

Investors were encouraged by the prospect of lower interest rates in the US and Wall Street's record high on Friday. The Nikkei finished up 377.36 at 33,023.60, the day's peak, and its first close above 33,000 since June 7. The intraday low was 32,677.86.

The return of institutional activity took volume to 580m shares, against Friday's 500m. There were 691 gainers, 271 losers and 163 unchanged. The Topix index of all listed stocks rose 30.23 to 2,400.16, the second section index of the market posted another record at 4,771.15, up 9.91 and, in London, the ISE/Nikkei 50 index eased 0.35 to 1,801.70.

The firm year encouraged institutional buying, said Mr Mitsuru Maekawa at Jardine Fleming. Although it eased slightly against the dollar yesterday to Y145.8, it was still considerably stronger than it had been at the beginning of the month.

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VIENNA advanced in active business in spite of a computer difficulty which interrupted trading. The bourse index gained 11.94 to 713.22 on foreign demand, especially from German investors.

STOCKHOLM lost early gains in a patchy turnover of SKr175m. The weighted Aktiavarvarden index eased 3.0 to 1,321.9, but Trelleborg was well bid following last week's gains, on the back of firmer metals prices.

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